

ONE BIG ROW: GOVERNMENT AND THE RAILWAYS, 1951-64

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Abstract

This thesis places the work of Dr Richard Beeching as Chairman of the British Railways Board in the context of Government policy towards the nationalised railways 1951-64, and examines the popular myth that Beeching and the Minister who appointed him, Ernest Marples, initiated a policy of railway closures and contraction. The thesis argues that Beeching's appointment and policies need to be seen in the context of the failure of Government policy towards the railways during the 1950s.

The background to the Transport Act, 1953 is analysed. It is argued that, through this Act, the Government increased competition in the transport field, but was unwilling to accept, and unprepared for, the logical consequences of this change. The discussion of the Government's subsequent policy towards the railways during the 1950s argues that by intervening in industrial relations and price-setting, Ministers not only forced the railways into the red, but hampered their own efforts to encourage the industry to increase its efficiency. Government involvement in industrial relations, price-setting, investment and the withdrawal of unremunerative services is discussed.

The Government's tougher approach to railway finances after 1959 (apparent in the 1962 Transport Act, tighter supervision of investment and the closure programme under Beeching) is placed in two contexts. Firstly, the growing recognition within Whitehall that the rise of road transport would limit the railways' future role. Secondly, the reform of the relationship between government and the nationalised industries in general. This discussion leads to a re-evaluation of Marples' significance, and a rejection of the view that Beeching's closure programme arose from a study of the railways in isolation from transport as a whole.

Finally, the presentation and implementation of Beeching's closure programme until the 1964 General Election is discussed. The thesis argues that the social and economic consequences of closures were not ignored.

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Introduction

There must be, concealed... in our present railway system, as a sculpture is concealed in a block of marble, the railway system of the future which does pay and which corresponds to the economic needs of the country.

Enoch Powell MP, February 1955.¹

There is much to be said for one big row (with subsequent smaller ones) instead of a series of medium ones. It prevents each individual case being treated on the basis "why pick on us" because it is clear that it is part of a general plan based on general principle.

George Stedman, Ministry of Transport deputy secretary, on the case for a branch line closure programme, April 1956.²

*Oh Doctor Beeching
What have you done
There once were lots of trains to catch
But soon there will be none.*

Theme to the BBC TV series Oh Dr Beeching, 1997.

This thesis examines the policies of the Conservative Governments of 1951-64 towards the nationalised railway industry. Its purpose in doing so is to provide a context for policies associated with Dr Richard Beeching and Ernest Marples. Beeching joined the British Transport Commission (BTC), the publicly owned body with responsibility for the railways, in March 1961, and became Chairman on 1 June. When the BTC was replaced by the British Railways Board (BRB) on 1 January 1963, Beeching became its Chairman, remaining in the post until 1 June 1965.³ Ernest Marples was Minister of Transport from October 1959 until October 1964; as such, he was ultimately responsible for the policies

1 Enoch Powell (Conservative, Wolverhampton SW), House of Commons, Official Report, 3/2/55, col.1328.

2 Public Record Office [PRO], MT 115/3 Withdrawal of Unremunerative Services, Policy; Stedman - Harold Watkinson [Minister of Transport and Civil Aviation], 18/4/56.

3 Terence Gourvish, British Railways 1948-73: A Business History (Cambridge: Cambridge University Press, 1986), pp.322 and 339.

pursued by Beeching. Beeching's critics have generally recognised that their barbs must equally be aimed at the Minister who appointed him.⁴

The contraction of Britain's railway network was well underway before Beeching's arrival, and predated Marples' appointment as Minister. Between 1950 and 31 August 1962, when the closure procedure changed, over 800 route miles closed to both passenger and freight traffic, over 2,500 to passengers only and nearly 800 to freight only.⁵ However, progress was slow before 1958,⁶ and 'in overall terms the extent of rationalisation before 1963 was limited'.⁷ In March 1963 the BRB published The Reshaping of British Railways (the Beeching Report). The Report argued that the railways had to discover what traffic they could carry most profitably and concentrate on doing so with increasing efficiency, while cutting out that which did not pay. This meant investing in the transport of large loads over long distances (the report made a number of positive recommendations aimed at improving these services), while withdrawing stopping-train passenger and pick-up freight services, and closing lines on which no other traffic was carried.⁸ It also meant cutting out excess capacity in the form of duplicate through routes, although the Beeching Report was not comprehensive in this respect.⁹ Closures and withdrawals, including freight, were only expected to account for around 28 per cent of the £115-147 million total saving envisaged by the Report.¹⁰ Nevertheless the parts of the Report which had the greatest impact were the appendices and accompanying map, showing which stations and services would close. This amounted to roughly a third of the network's route miles. Thirty one per cent of the route mileage

4 For example, Roger Calvert, The Future of Britain's Railways, (London: George Allen and Unwin, 1965), footnote, p.12; Stan Abbott, foreword to David Henshaw, The Great Railway Conspiracy - The Fall and Rise of Britain's Railways Since the 1950s, (Hawes: Leading Edge, 1991), p.8.

5 Gourvish, British Railways, Table 25, p.205. Source: Annual reports of the Central Transport Consultative Committee 1955-62.

6 Ibid, p.205.

7 Ibid., p.206.

8 BRB, The Reshaping of British Railways, (London: HMSO, 1963), pp.1-5.

9 This problem was addressed in a second report: BRB, The Development of Major Railway Trunk Routes, (London: BRB, 1965).

10 Gourvish, British Railways, p.412.

open to passengers in 1962 had closed by the end of 1973, and slightly more than half of this was achieved by the end of 1965.¹¹ Although many of these closures took place after the departure of Marples and Beeching, and there were alterations to the programme set out in the Report,¹² they represented the implementation of the majority of Beeching's programme.

This thesis is not directly concerned with Dr Beeching and his work at the BRB. Rather, it is an examination of the development of Government policy towards the railways which led to Beeching's appointment, established the framework within which he drew up his proposals, and implemented them. It is concerned with the Beeching Report as a consequence of developments in Whitehall, and does not seek to add to the judgements passed by others on its effectiveness in reducing the railways' losses or providing the country with a modern railway system, although these are discussed briefly in this introduction. The contribution which the thesis seeks to make to historical knowledge is an explanation of why and how Government policy on the railways took the course it did.

The first three chapters cover the period from the Conservative Party's return to government in 1951, until the BTC, in effect, faced bankruptcy at the end of 1958. Chapter One examines the background to the Transport Act, 1953. Chapter Two discusses the Government's involvement in railway wage disputes in 1953-5 and the formula it used to justify wage increases. Chapter Three deals with the government's role in the BTC's subsequent slide into insolvency. Chapters Four and Five discuss the two themes which shaped the Government's response to the crisis of 1958: the growing appreciation between 1956 and 1963 of the extent to which the railways' future prospects were likely to be limited as a result of the expansion of road transport; and the reform of the relationship between Government and the nationalised industries, devised between 1958 and 1961 and applied to the BTC through the Transport Act, 1962. Chapter Six discusses the implementation of Beeching's closure programme.

This introduction begins with a brief survey of the existing literature on Beeching's time at the BTC and BRB. Some of the criticisms which have been made of railway

11 Ibid., Table 52, p.437. Source: BRB, Report and Accounts 1963-73.

12 For example, one east-west route (Peterborough - Leicester) was reprieved, while another (Cambridge - Oxford) was closed, although not listed in the appendix of the Beeching Report.

closures are then discussed. The purpose of this section is to signpost issues examined later and to deal briefly with those points which have already been adequately covered elsewhere. In conclusion, a very basic outline of the relevant events covered by the thesis is provided. My original research is based almost entirely on papers at the Public Record Office (PRO) from the files of the Ministry of Transport, the Treasury, the Prime Minister's Office and Cabinet and Cabinet Committee Papers. I have also studied Harold Watkinson's Papers at Ashridge Management College, Lord Butler's papers at Trinity College, Cambridge, and Harold Macmillan's diaries and the Conservative Party Archive at the Bodleian Library. However, these non-PRO sources have been studied for the purpose of providing peripheral colour and context for the thesis. I have not attempted to provide a comprehensive account of the ideological developments and arguments within the Conservative Party or of the personal views of Ministers beyond those expressed on the specific issues tackled in the official papers. This thesis is concerned with the work of government in relation to railway policy and so it refers to thinking within the Conservative Party in broad terms where it has a direct bearing on policy, and as part of the debates within government, rather than as a focus for study in itself. Nor is this thesis concerned with the railways as a case-study of government policy towards the nationalised industries in general, although such policy is referred to where relevant (in particular in Chapter Five). This thesis is not intended as a contribution to economic history, and does not seek to study the railway industry as an example of the wider economic and industrial picture or in the specific context of the history and performance of the nationalised industries as a whole.

Histories of the 1951-64 period generally have little to say about the events discussed in this thesis, with the exception of the railway wage negotiations of 1953-5, and the short section on the Beeching Report in Richard Lamb's The Macmillan Years - The Emerging Truth.¹³ Lamb considers Beeching's appointment 'a tragedy for the nation'¹⁴ and concludes that his 'dismantling of the railways must be looked on as one of the major aberrations of the Macmillan Government'.¹⁵ A broader historical context for this thesis

13 Richard Lamb, The Macmillan Years - The Emerging Truth, (London: John Murray, 1995), pp.431-42.

14 Ibid., p.434.

15 Ibid., p.442.

is provided by the changes in the British state described in Keith Middlemas' study of Power, Competition, and the State. Middlemas' subject is the fate of the post-war settlement - a mixed economy, full employment, no return to the social conditions or class strife of the 1930s - in subsequent decades. He sees the early 1960s, 1961 in particular, as the point at which pressure for reform of the settlement came to a head, in government, in industry, and in unions.¹⁶ Middlemas includes 'radical changes in state-owned industries',¹⁷ embodied in the 1961 White paper, The Financial and Economic Obligations of the Nationalised Industries as part of a package of reforms introduced in 1961 - the others being the attempt to join the Common Market, the creation of the National Economic Development Council, the development of an incomes policy, and a renewed emphasis on planning and the control of public expenditure.¹⁸ There is, of course, much more to his work than this but the theme which is particularly relevant to this thesis is the idea of a turning-point after which Ministers 'tended to treat state industries as commercial undertakings, not social services'.¹⁹ In a similar vein, the Beeching Report has been identified as an element in the Conservative Government's attempts to modernise Britain in the early 1960s.²⁰

The most significant work relevant to this thesis is Professor Terence Gourvish's British Railways 1948-73 - A Business History. Gourvish has covered all the major events discussed here, but, as his title suggests, he is concerned with the BTC and BRB side of the story. In order for my account to make sense, it has been necessary to summarise some of Gourvish's work, as will be clear from the relevant footnotes. However, this thesis is not a business history, and I have not sought to replicate

16 Keith Middlemas, Power, Competition and the State. Volume One: Britain in Search of Balance 1940-61, (London: Macmillan, 1986), p.335.

17 Ibid., p.337.

18 Ibid; Keith Middlemas, Power, Competition and the State. Volume Two: Threats to the Post-War Settlement 1961-74, (London: Macmillan, 1990), pp.23-56.

19 Middlemas, Power, Competition and the State, Volume 2, p.30.

20 David Butler and Anthony King, The British General Election of 1964, (London: Macmillan, 1965), pp.78-9; Christopher Booker, The Neophiliacs - A Study of the Revolution in English Life in the Fifties and Sixties, (London: Collins, 1969), p.171. Jim Tomlinson, 'Conservative Modernisation, 1960-64: Too Little Too Late?', Contemporary British History, vol.11, No.3, autumn 1997, p.21, also identifies reform of the nationalised industries as part of this theme, although the Beeching Report is not referred to directly.

Gourvish's research. Nor have I attempted any economic or statistical analysis of the railways' finances. A table showing the railways' financial results and investment expenditure is provided at appendix one. Gourvish argues that the most significant factor in explaining the railways' deficits was the fact that costs rose faster than earnings, and it is clear that government interventions in railway wage negotiations and pricing policy played a part in this.²¹ The management of the railways by the BTC and BRB is referred to where it is relevant to the story of government policy towards the railways, but not as a subject in itself.

Robert Adley's Out of Steam: The Beeching Years in Hindsight provides an example of the popular view of Beeching. Adley admits that 'I am committed to "the railway" to a degree that probably prevents me from fulfilling the role of dispassionate author',²² and is more concerned with what might have been or might be than the details of history. Adley sees Beeching's legacy in part as the 'mass decimation'²³ of the railway network. He criticises Beeching for making broad assumptions about the extent to which unprofitable lines could be identified in isolation from the network as a whole.²⁴ His chief complaint is that the Beeching Report was not 'a major socio-economic document studying public transport requirement, potential and operation for a generation';²⁵ and that it failed to ask questions about:

the effect of the motorway-building programme on the travel patterns of commerce and industry... the effects of the steady change from a manufacturing to a service based economy... the effect of increasing car ownership and its resultant congestion on the attractions of travel by rail... the effect of technological improvement... on the competitiveness of rail... the need for, and the effect of, improved productivity on... costs.²⁶

21 Gourvish, British Railways, pp.178-89.

22 Robert Adley, Out of Steam: The Beeching Years in Hindsight, (Wellingborough: Patrick Stevens, 1990), p.13.

23 Ibid., p.39.

24 Ibid., p.75.

25 Ibid., p.35.

26 Ibid., p.38.

However, Adley accepts that Beeching's legacy has its good side, in that the remaining system is better run for his influence.²⁷

The most comprehensive attack on the policy of railway closures has been produced by David Henshaw, author of The Great Railway Conspiracy. Henshaw's conspiracy is set out in his introduction: 'the road transport lobby... aided by the Ministry of Transport... succeeded by the late 1960s, in bringing the railway system to its knees'.²⁸ Much of Henshaw's argument rests on his inability to locate the relevant papers at the Public Record Office and the alleged pro-road bias of the Ministry of Transport and the Conservative Party.²⁹ Henshaw describes Marples as 'a Minister of Transport who was not only road-biased, but a successful road engineering contractor into the bargain',³⁰ who used the railways' financial plight as 'an opportunity to humble'³¹ them, even though 'the situation was not nearly as bleak as the Government was about to make out'.³² A key feature of Henshaw's argument is Marples' appointment of a Special Advisory Group (SAG) to assist him in reforming the BTC. The SAG, of which Dr Beeching was a member, was established in March 1960 under the chairmanship of Sir Ivan Stedeford, Chairman and Managing Director of Tube Investments. Its recommendations were not published.³³

Much of Henshaw's argument can simply be dismissed as nonsense, indeed he dismisses some of it himself, admitting that the SAG's 'final recommendations were pretty innocuous',³⁴ and that the apparent lack of documents at the PRO is not conclusive evidence that any have been deliberately hidden or destroyed.³⁵ He partially retracts his accusations against Marples in his conclusion:

27 Ibid., p.13.

28 Henshaw, Great Railway Conspiracy, p.10.

29 Ibid., p.11.

30 Ibid., p.110.

31 Ibid.

32 Ibid., p.115.

33 Ibid., pp.122-9.

34 Ibid., p.128.

35 Ibid., p.9. Nor is there a lack of relevant documents at the PRO.

[he] had positive personal and financial incentives to see railways close. It would be wrong to suggest that Marples deliberately made political decisions for personal gain, yet... he would have been unable to make fair and reasoned judgements on transport affairs.³⁶

Nevertheless, his equivocations were lost on David Black, writing about the book for The Independent in 1991. In an article entitled 'Secret Report that Took Axe to the Railways', Black alleged, 'almost a third of Britain's rail network was closed in the early 1960s by a government that justified its decision with bogus figures and a report that has remained secret for the past thirty years'.³⁷ Henshaw appears to have been unaware of Gourvish's work, which undermines the conspiracy theory. For example, it is clear that the SAG was primarily concerned with organisation rather than branch line closures.³⁸ Gourvish sees the arrival of Marples as a key point: 'Marples... was known to prefer motorway building to railway modernisation as the solution to Britain's transport problems... the prospects for the BTC soon became much bleaker'.³⁹ However, he identifies the changing attitude towards the railways' problems in Whitehall as commencing in 1958 - a year before Marples' appearance.⁴⁰

Richard Hardy's Beeching - Champion of the Railway?, provides a stark contrast to Henshaw.⁴¹ Hardy draws on Gourvish's work, his own experience as a railway manager in the 1950s and 1960s and interviews with Lady Beeching, Lady Marples and Sir David Serpell (deputy secretary at the Ministry of Transport 1960-63). The most significant points to be drawn from Hardy's experience are: his endorsement of the argument that the railways were poorly managed; the continuing inefficiency at shopfloor level resulting from wartime necessities; and the remoteness of the railway manager from commercial realities. For example, Hardy talks of the period shortly after nationalisation in the following terms:

36 Ibid., p.234.

37 The Independent, 18/11/91, p.6, 'Secret Report that Took Axe to the Railways'.

38 Gourvish, British Railways, pp.308-16.

39 Ibid., pp.300-1.

40 Ibid., p.299.

41 Richard Hardy, Beeching - Champion of the Railway?, (London: Ian Allan, 1989), p.100.

the impression sprung up amongst railwaymen, and indeed elsewhere, that public service was obligatory, that it was incompatible with commercial management and that the country, unable to do without a railway, had an obligation to its employees.⁴²

Hardy argues that the passenger closure policy was only part of Beeching's effect on the industry, and stresses the positive aspects of the report.⁴³ He clearly considers Beeching's most important achievement to be a change in the philosophy of railway management, from public service to business,⁴⁴ and he complains that: 'to this day there are intelligent people who regard Beeching as the man who destroyed the railway system rather than the saviour he really was'.⁴⁵

Clearly, the Beeching era can arouse passion. The growth of preserved railway lines operating steam services for tourists since volunteers restored the Talylllyn Railway in Wales in 1951,⁴⁶ is testament to the attractions of the steam-operated rural branch line. Perhaps such lines appeal as symbols of a supposedly more stable and prosperous period in Britain's past. Continuing criticism of railway closures cannot simply be dismissed as romanticism, however, as the withdrawal of local railway services could cause genuine hardship to their former users.⁴⁷ Current criticism of Beeching's approach also reflects concern at the growth of road traffic. For example, the Council for the Protection of Rural England (CPRE) has argued that:

because the [railway] closures and the Modernisation Plan were effected before any consideration was given to the possibility of new service patterns, the rail system that emerged... had some unfortunate gaps... by the time more rational rail service planning eventually got underway and it became clear in the 1980s that the railway was not in irreversible decline, the "unplanning" of the system had left the

42 Ibid., p.19.

43 Ibid., p.71.

44 Ibid., pp.96 and 101.

45 Ibid., p.101.

46 Henshaw, Great Railway Conspiracy, p.199.

47 Mayer Hillman and Anne Whalley, The Social Consequences of Railway Closures, (London: Policy Studies Institute, 1980), pp.110-8.

railway irrelevant to many people, a defect which can now only be remedied in part and at considerable expense.⁴⁸

It is important to point out that the CPRE attributes this position in large part to policies pursued after 1964, for example, the failure of the attempt under the Transport Act, 1968 to integrate road and rail freight, which instead led to the growth of road freight at the expense of rail.⁴⁹

The CPRE's view is supported by the extent to which the closure programme has been reversed. Henshaw cites some 180 route miles re-opened by 1991.⁵⁰ A number of lines have re-opened for regular passenger services since Henshaw's book was published, and other re-openings are proposed.⁵¹ Gourvish has argued that Beeching was wrong to assume 'that a network of a given size, shorn of its unprofitable tentacles, could break-even under the terms of the Transport Act of 1962',⁵² and that closures 'were no answer to the overall problems of passenger profitability'.⁵³ This is supported by evidence from, among others, Lord Marsh, a former Transport Minister and Chairman of British Rail. In his autobiography, Marsh recalled a study conducted during his period in the latter office in the early 1970s, which attempted to find a railway network which was profitable. It concluded that no such network could be created - an argument accepted at the time by the Treasury (although the railways' figures were treated with some scepticism within the Department of Transport⁵⁴).⁵⁵

48 Penny Evans (Ed.), Where Motor Car is Master - How the Department of Transport Became Bewitched by Roads, (a report based on research by Peter Kay), (CPRE: London, 1992), p.37.

49 Ibid., p.44.

50 Henshaw, Great Railway Conspiracy, pp.240 and 245-6.

51 Examples from editions of Modern Railways include the re-opening of the Birmingham Snow Hill - Smethwick line (October 1995 p.591); the recently re-opened Nottingham - Mansfield line had the second-best revenue/cost ratio of all Central Trains' services and is to be extended to Worksop (October 1997, p.617); possible restoration of Exeter - Okehampton and Tavistock - Bere Alton (Ibid, p.618); proposed restoration of Halifax - Huddersfield (January 1998, p.6); and restoration of Walsall - Wolverhampton and Rugeley - Stafford services (July 1998, p.433).

52 Gourvish, British Railways, p.414.

53 Ibid., p.459.

54 Private information.

The figures published in support of closure proposals were far from perfect. If the Regional General Manager Gerard Fiennes was a little harsh in alleging that Beeching and Marples 'laid it down in general that rural railways did not pay, which was true; and could never pay, which was false. They did not, therefore, require more than the most elementary arithmetic on the losses either in general or in particular,⁵⁶ he was nevertheless near the mark. Hardy, like Fiennes speaking from experience, admits that 'some pretty rough-and-ready decisions were taken based on some pretty rough-and-ready figures in the interests of what was taken to be the party line'.⁵⁷

Gourvish cites several errors in the figures,⁵⁸ which 'were often produced hastily from out of date surveys',⁵⁹ while regions used different methods to assess services.⁶⁰ Henshaw cites a case in which, using the official figures, 'protestors were... able to prove... that the number of passengers travelling between two stations was actually a negative figure'.⁶¹ Gourvish concludes that 'the true value of savings [from passenger closures] is anybody's guess'.⁶² The Board's records are incomplete,⁶³ but the BRB figures on closures during 1966-9 show a gap between estimated maximum savings (£7.7 million) and actual savings (£2.8 million).⁶⁴ Beeching later accepted that more figures on direct savings could have been provided and that this would have made the closure process less controversial.⁶⁵

55 Richard Marsh, Off the Rails - An Autobiography, (London: Wiedenfeld and Nicolson, 1978), pp.166-8.

56 Gerard Fiennes, I Tried to Run a Railway, (London: Ian Allan, 1967), p.114.

57 Hardy, Beeching - Champion of the Railway?, p.102.

58 Gourvish, British Railways, pp.437-8 and 455-6.

59 Ibid., p.437.

60 Ibid., p.436.

61 Henshaw, Great Railway Conspiracy, p.135.

62 Gourvish, British Railways, p.459.

63 Ibid., p.436.

64 Ibid., p.460.

65 Bodleian Library, Conservative Party Archive, CRD 2/19/5; Conservative Parliamentary Transport Committee minutes, 19/11/64.

Even if the figures had represented a watertight financial case for closure, this would not answer the criticism that they took no account of the social value of railway services - quantifiable benefits to the community resulting from the provision of railway services, but not reflected in their earnings. In 1971, British Rail asked the economist Christopher Foster to carry out a cost-benefit study of two lines in Manchester which had been listed for closure in the Beeching Report. The conclusion of the study was that 'the greatest measure of social benefit would be gained if the service were not only retained but some improvements made'.⁶⁶ The details of cost-benefit analysis need not concern us here, but essentially the case for subsidising these lines was that by reducing road congestion they provided benefits to those not using the service which outweighed the financial loss incurred by their operation.⁶⁷ In the post-Beeching period, investment in railways has been evaluated on financial criteria while road investment has been subjected to social cost-benefit analysis. In 1979, a Department of Transport report criticised this discrepancy as being likely to favour road over rail, and called for social cost-benefit analysis to be applied to road and rail where alternative schemes were to be evaluated.⁶⁸

Nevertheless, the post-Beeching reopenings represent only a small retreat from the proposals in the Report and the shortcomings of the figures do not mean that the lines in question were making money, or should have been kept open on the basis of social benefit (retention of the Cambrian coast line was found not to be justified by a cost-benefit study in 1969, although this finding was controversial⁶⁹). And, of course, British Railways' losses had to be addressed. Even Henshaw does not argue that the entire closure programme was wrong. He claims that of the thirty-seven per cent of the network closed after Beeching's arrival at least a third should not have closed, but accepts that nearly half

66 Christopher Foster, Report on a Social Cost/Benefit Study of the Manchester (Picadilly) - Hadfield/Glossop and Manchester (Picadilly) - Marple/New Mills Suburban Railway Services Part One Main Report, (London: London Midland Region of British Rail, 1974), p.iii.

67 Ibid., pp.4-5.

68 Department of Transport, Report of the Leitch Committee on Trunk Road Appraisal (London: HMSO, 1979), cited in C.A. Nash, P.G. Hopkinson, G. Tweddle, and J.Preston, Evaluation of Road and Rail Projects - Issues and New Developments, p.2; in C.A. Nash, P.G. Hopkinson, G. Tweddle, J.Preston, and Ross Mackay, The Future of Railways and Roads, (London: Institute for Public Policy Research, 1991).

69 Gourvish, British Railways, p.453.

(seventeen per cent of the total network) was probably a lost cause,⁷⁰ and eventually admits that 'by the time Beeching arrived... it was perhaps too late to do anything other than reduce the size of the system as rapidly as possible'.⁷¹

Could more have been done to cut branch line costs? Between 1956 and around 1960, the BTC pursued a policy of trying to make branch lines pay through investment, in particular in diesel traction. It failed.⁷² Many cost-saving innovations required investment which would never be repaid because it would only reduce losses. For example, the use of lightweight diesel railbuses increased receipts, but generally failed to make the lines profitable, while the vehicles were unable to cope with peaks in demand.⁷³ They also cost three times as much as a road bus of the same capacity.⁷⁴ There is no space here to go into the details of railway operation to the extent required to argue this point fully. However, some idea of the problems facing rural railways in the 1950s and 1960s can be gained from the explanation given by the Isle of Man Railway Company when its directors decided 'very much to their regret'⁷⁵ to cease operations in 1966. They suggested that the railway would have closed in the 1930s had it not taken over the local bus operators. They had considered buying second-hand diesel locomotives, but a civil engineer advised that the railway would need £300,000 of work to continue operations. Independent accountants concluded that even the most successful part of the system would lose £20,000 in 1966, and further losses were unavoidable. Here was clear evidence of the inability of rural railways to survive without subsidies - even without competition. There was little incentive to close the line if it could be made to break-even. Without running a train the shareholders faced an annual bill of £5,000 until the track could be sold, which required legislation. The directors simply could not justify continued

70 Henshaw, Great Railway Conspiracy, pp.232-4.

71 Ibid., p.234.

72 Gourvish, British Railways, pp.207-9.

73 Ibid.; and J. M. Tolson, 'Too Little Too Late, a Survey of British Railways Diesel Railbuses', Railway Magazine, vol.114, no.801, January 1968, pp.4-9.

74 MTCA, Re-appraisal of the Plan for the Modernisation and Re-Equipment of British Railways, (London: HMSO, 1959), p.35.

75 Mr J. M. Cain, Chairman, Isle of Man Railway Company, statement at the company's 96th Annual General Meeting, 29/4/66; reported in Railway Magazine, vol 112, no.783, July 1966, pp.411-2.

operations.⁷⁶ This does not mean that costs could not have been cut; but the idea that if only more had been done rural railway losses could have been turned into profits does not stand up.

One complaint regarding the closure process is that services were deliberately run down. Henshaw gives the Great Central line (London Marylebone - Manchester) as an example.⁷⁷ But Gourvish argues convincingly that this was actually a programme of phased withdrawal, and points out that 'protestors often argued both ways at once when they complained on the one hand that a service was being run down and on the other hand that British Rail was not taking steps to operate it more efficiently'.⁷⁸ Henshaw also argues that too little account was taken of contributory revenue in weighing up the financial case for closure.⁷⁹ Gourvish has provided the following definition of 'contributory revenue': 'the revenue earned on other lines/services as a result of travel on a given service. For example, on a Sheringham - Norwich - London journey, the Sheringham - Norwich Service provides contributory revenue to the Norwich - London service'.⁸⁰ However, contributory revenue is only relevant as a *net* figure. In other words, if a line loses £x million a year ignoring gross contributory revenue of £2x million, it does not follow that it makes a profit of £x million, because the services providing the gross contributory revenue may not themselves be profitable.⁸¹

It is clear from this discussion of the issues raised by the existing literature that, while the idea that the closure programme was wholly wrong or was some kind of anti-rail conspiracy can be dismissed fairly simply, a number of criticisms need to be addressed, including the argument that the closure programme reflected a pro-road bias on the Government's part. The primary question which this thesis seeks to answer is how did government policy arrive at the Beeching Report? In answering this question, the thesis examines government railway policy in the period from the Conservative Party's election

76 Ibid.

77 Henshaw, Great Railway Conspiracy, pp.164-7 and 187-8.

78 Gourvish, British Railways, p.455.

79 Henshaw, Great Railway Conspiracy, pp.163 and 114.

80 Gourvish, British Railways, footnote, p.206.

81 Ibid., p.450, makes this point in relation to closures later in the 1960s.

victory in 1951 to the publication of the Report in 1963. For reasons of space it does not examine the period between nationalisation of the railways (effective from 1 January 1948) and the 1951 General Election. However, certain flaws in the relationship between government and the railways under the Transport Act, 1947 are addressed and it is not my intention to imply that this relationship was necessarily a good one before 1951.

In addition to the primary question set out above, the discussion of government railway policy to 1963, and of the implementation of Beeching's closure programme to the General Election of 1964, will address the following questions:

- 1 To what extent can Ministers be held responsible for railway deficits?
- 2 What efforts were made by Ministers during the 1950s to avoid these deficits and why did they not succeed?
- 3 To what extent were the failings of government policy during the 1950s a stimulus for subsequent reform?
- 4 In what ways should the Beeching Report be seen as part of a wider process of reform and modernisation in the early 1960s?
- 5 How significant was Ernest Marples in shaping government railway policy?
- 6 Was there a pro-road bias in government transport policy after Marples' appointment?
- 7 In addressing the railways' problems, did the Government allow the railways (a) to be studied in isolation from transport as a whole and (b) to be subjected to purely financial criteria?
- 8 Were the social and economic consequences of rail closures, or their implications for the road system, ignored or too easily discounted?
- 9 Why did the Government accept closure proposals based on figures which have been subject to so much subsequent criticism?

As a guide to the body of the thesis, a brief general history of the nationalised railways 1948-68 follows. The BTC was created under the Transport Act, 1947 and began its life on 1 January 1948. As well as the railways, it took on bus services, waterways, docks and long-distance road haulage. Following the Conservative election victory under Churchill's leadership in October 1951, John Maclay was appointed Minister of Transport and Civil Aviation, and Lord Leathers, Secretary of State for the Co-ordination of Transport, Fuel and Power. The following May, Maclay resigned and was replaced by Alan Lennox-Boyd. The Conservatives' Transport Act received Royal Assent in May 1953, ending the BTC's monopoly of long-distance road haulage, and requiring it to reorganise its railways. In September 1953, Leathers resigned and his office was abolished. In July 1954, John Boyd-Carpenter was appointed Minister of Transport. In January 1955, the BTC published A Plan for the Modernisation and Re-equipment of British Railways, proposing the investment of £1,240 million over fifteen years. Following Churchill's resignation in April 1955 and his replacement by Sir Anthony Eden, Harold Watkinson became Minister of Transport in December 1955. Like his three predecessors, Watkinson was not a member of the Cabinet. When Harold Macmillan replaced Eden in January 1957, however, he included the Minister of Transport in his Cabinet.

In 1956, the railways' operating account went into deficit for the first time, although they had failed to meet their central charges in the two previous years (these consisted primarily of interest on stock paid as compensation to former shareholders of the private railway companies). In October 1956, the Plan was reviewed in a White Paper entitled Proposals for the Railways (Cmnd. 9880), in which the Commission undertook to break-even by 1961/2. The following year the Transport (Railway Finances) Act engineered a reconstruction of the Commission's accounts, temporarily relieving it of the burden of interest payments on investment borrowings and deficits. In 1958, it became clear that the railways were not on course to achieve the targets set out in the 1956 White Paper. Another review was carried out, published in July 1959 as the White Paper, Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways (Cmnd. 813). By early 1960, officials at the Ministry of Transport and the Treasury had examined, and rejected, the Commission's defence of its position in this document. Marples had replaced Watkinson as Minister after the General Election of October 1959. In March 1960 he appointed the SAG which completed its work that autumn. In December 1960 a White Paper, Reorganisation of the Nationalised Transport Undertakings

(Cmnd. 1280) was published. A White Paper on The Financial and Economic Obligations of the Nationalised Industries (Cmnd. 1337) followed in April 1961; and in 1962 the Conservatives passed their second Transport Act which established the BRB and required it to break-even 'at the earliest possible date'.⁸² This target had not been achieved when a new Transport Act was passed by Harold Wilson's Labour Government in 1968. By this time Beeching's association with the railways was over; but only in practical terms. In the public mind he remains the man who stopped the trains.

82 Transport Act, 1962; 10 and 11 Eliz. II, 10, S.22(4).

1: A Terrible Tangle

Not... many of us had been able to give much thought to where we wanted the country to go. For us socialism was the enemy and every effort had to be devoted to defeating it... [we] had no blueprint... we were not very sure what kind of future we wanted except that it should be a change from socialism.

Lord Watkinson on the new Conservative MPs of 1950.¹

Until there is a clear picture of the ultimate pattern of the transport system of the country our transport policy as a whole will be liable to drift and capital investment in transport to be devoid of governing principles.

Alfred Barnes, Minister of Transport, 1951.²

The quotation which gives this chapter its title, is the view of Harold Macmillan on the state of the Government's Transport Bill in October 1952.³ This Bill, which became law the following May, reversed the attempt made by the previous Government (through the Transport Act, 1947) to bring together the majority of inland transport (other than air) under the British Transport Commission (BTC). It ended the BTC's monopoly of road freight for journeys of more than 25 miles and obliged it to sell most of the assets held by its Road Haulage Executive (RHE). It changed the licensing laws which governed road passenger transport, to make it easier for operators to start new services, and gave the Government the power to require the BTC to sell its holdings in bus companies at some future date. It also removed some of the commercial restrictions affecting the railways and provided for the decentralisation of their organisation. In short, centralisation and "co-ordination" were replaced by decentralisation and competition.

This chapter argues that the Transport Act, 1953 was a badly constructed piece of legislation which played a significant part in creating the problems of British Railways in the 1950s. This had nothing to do with the relative merits of nationalisation and private ownership, or of monopoly and competition, but arose from two basic errors on the Government's part. The first was that the Government botched and rushed the legislation to such an extent that the task of extricating itself from potential

1 Harold Watkinson, Turning Points - A Record of Our Times, (Salisbury: Michael Russell, 1986), pp.20-1.

2 Public Record Office [PRO], CAB 129/47; Barnes, 'Long Term Financial Prospects of the British Transport Commission', C.P.(51)245, 10/9/51.

3 Bodleian Library, Macmillan Diaries [BL/MAC], C.14/1, 23/10/52.

embarrassment obscured the detailed policy questions on which it should have concentrated - in particular, the likely future transport requirements of the country. The second was that, despite its belief in competition, the Government was both unwilling to accept the implications of competition between road and rail, and unprepared to address them. As a result, no attempt was made to balance the public service element of the Commission's brief with the requirement that it break-even financially in a competitive environment. The chapter begins by establishing that the idea of integration was a central theme of transport policy before 1953, and discussing the progress of attempts at integration under the Transport Act, 1947. The proposals for transport which the Conservatives brought to office on their return to government in 1951, the problems which combined to create severe difficulties for their attempts at reform, and the framing of the legislation, are then set out. Finally, the effects of the 1953 Act on the railways are summarised.

The 1947 Transport Act established the BTC as the body with overall responsibility for nationalised transport. This was exercised through five subordinate Executives: Railways; Docks and Waterways; Hotels; London Transport; and Road Transport, which was divided between a Road Passenger Executive and the RHE in 1949.⁴ The obvious context for the Act was the Labour Party's commitment to nationalisation; however, it also followed the trend of the inter-war and wartime periods, when the Government had sought to strike a balance between road and rail through regulation and control. The railways had been subjected to Government regulation since the establishment of the Board of Trade's Railway Department in 1840.⁵ The chief commercial restrictions upon rail transport were: the obligation to carry any traffic offered and to provide a reasonable level of service; the requirement to publish charges and not to give undue preference to one customer over another; and the approval of railway charges schemes by the Railway Rates Tribunal (which became the Transport Tribunal under the 1947 Act). One consequence of these regulations was that railway charges bore little relation to the cost of specific

4 Philip Bagwell, The Transport Revolution, (London: Routledge, 1988) [First published as The Transport Revolution from 1770, London: Batsford, 1974], p.293.

5 Henry Parris, Government and the Railways in Nineteenth-Century Britain (Studies in Political History, General Ed., Michael Hurst), (London: Routledge and Kegan Paul, 1965), p.1.

services.⁶ In addition, negotiation of railwaymen's wages and conditions had been subject to 'significant Government intervention'.⁷

In the 1920s and 1930s attempts had been made to update transport policy to cope with the rise of road transport. In 1928, a Royal Commission on Transport was appointed. Its terms of reference talked of using transport to 'the greatest public advantage' and 'co-ordination'.⁸ It led to the Road Traffic Act, 1930 which restricted the growth of road passenger transport through a licensing system for operators.⁹ Pressure from the railway companies and unions, supported by the Association of British Chambers of Commerce (ABCC), led the Government to establish, in 1932, a conference on transport chaired by the economist Sir Arthur Salter, which eventually led to the Road and Rail Traffic Act, 1933, imposing a similar system on road freight transport.¹⁰ If these Acts substantially restricted road transport,¹¹ they appear to have done little for the railways,¹² and the railway companies' "square deal" campaign of the late 1930s represented a new approach - rather than calling for restrictions on the road industry they now called for the removal of commercial restrictions on the railways. Had it not been for the intervention of war, the Government would almost certainly have legislated along these lines,¹³ and the trend of policy might have been altered. Instead, during the war, the Government exercised control of the railways and associated activities through the Railway Executive Committee, which continued until the 1947 Act came into force; and,

6 A. Thompson and L. Hunter, The Nationalized Transport Industries, (London: Heinemann, 1973), p.128.

7 Terence Gourvish, British Railways 1948-73 - A Business History, (Cambridge: Cambridge University Press, 1986), pp.1-3.

8 Bagwell, Transport Revolution, p.249.

9 Gourvish, British Railways, p.14.

10 Bagwell, Transport Revolution, pp.253-6.

11 William Robson, Nationalized Industry and Public Ownership, (London: George Allen and Unwin, 1960 [revised second edition, 1962]), p.33.

12 Thompson and Hunter, The Nationalized Transport Industries, p.130; Gourvish, British Railways, p.14.

13 Gourvish, British Railways, p.2; Thompson and Hunter, Nationalized Transport Industries, p.130.

by 1943, the Government had taken direct control of some 30,000 lorries engaged in long-distance work.¹⁴

The 1947 Act maintained the commercial restrictions on the railways,¹⁵ and sought to end competition by nationalising road transport. Under the Road and Rail Traffic Act, 1933, road freight vehicles had one of three kinds of licence: 'A' and 'B' licences related to vehicles available for public traffic, 'C' licences to vehicles owned by traders who only used them to carry their own goods. The original 1947 Bill gave the Commission a monopoly on long-distance haulage by restricting the operation of 'A' and 'B' licence vehicles to a radius of 25 miles from their base, while 'C' licence vehicles were to have been restricted to a 40-mile radius, but opposition to this last measure was so intense that it was dropped.¹⁶ The Act's purpose was set out by Labour's Transport Minister, Alfred Barnes, as 'to consolidate the various elements of transport... into a single whole which would operate as a non-profit making utility service at the least real cost to trade, industry and the travelling public'.¹⁷ However, the Act had nothing to offer on how co-ordination should work in practice;¹⁸ this was left to the Commission, which was 'a body inadequately equipped for a formidable task'.¹⁹ It was too small and weak, for example, to exercise effective control over the Railway Executive, which kept two sets of minutes, one for its own purposes and one for the BTC's eyes.²⁰ The Commission was given potentially conflicting terms of reference, requiring it to 'provide an efficient, adequate, economical and properly integrated system... in such a manner as to provide most effectively and conveniently for the needs of the public, agriculture, commerce and

14 Bagwell, Transport Revolution, pp.284-292; Gourvish, British Railways, p.6.

15 Bagwell, Transport Revolution, pp.293-4.

16 Ibid., p.294.

17 PRO, T 229/339, Socialised Industries: Control of Investment; Barnes, 'Government Control over Socialised Industries', 23/5/49, quoted in Gourvish, British Railways, p.28, note 101 (p.651).

18 Gourvish, British Railways, p.27; Thompson and Hunter, Nationalized Transport Industries, p.131; Nigel Harris, Competition and the Corporate Society - British Conservatives, the State and Industry, 1945-64; (London: Methuen, 1964), p.97.

19 Gourvish, British Railways, pp.32-3. For a fuller discussion of the shortcomings of the Commission's organisation under the Act, see Ibid., pp.31-67.

20 Ibid., pp.47-9, and 62.

industry'.²¹ Striking a balance between efficiency and convenience was also left to the Commission, overseen by Transport Users' Consultative Committees (TUCCs), representing agriculture, commerce, industry, shipping, labour and local government (the Commission was also represented). TUCCs could examine any aspect of the BTC's passenger and freight services, and reported to a Central Transport Consultative Committee (CTCC) and the BTC. The CTCC reported to the Minister and the BTC, and the Minister could then direct the Commission accordingly. The TUCCs' most significant role was to examine proposals to withdraw railway services.²²

Writing in 1960, Professor William Robson attacked the concept of transport co-ordination as a:

euphemism [which] has always seemed less likely to offend the susceptibilities of businessmen or arouse the suspicions of the travelling community than a cruder expression such as "the elimination of competition" or the "the handicapping of road transport". But this is in fact what it has meant. The "co-ordination", moreover, has so far always been one-sided. Railway services have never been restricted, or fares raised, in order to assist road operators.²³

There is evidence to support this view. The Commission initially 'thought it desirable to maximise the volume of railway traffic and hoped that the Commission's road services, when fully developed, would help to subsidise unremunerative railway operations'.²⁴ Moreover, it did not feel entitled to force its freight customers to use one mode of transport rather than another,²⁵ and trade union pressure had helped prevent the transfer of more traffic to road.²⁶ Shortly after nationalisation, Kenneth Glover, a statistician at the Ministry of Transport (MoT), suggested that the depreciation funds built up by the railways could now be used to buy lorries, but the idea was not taken up.²⁷ By 1951

21 Transport Act, 1947; 10 and 11, Geo. VI, 49; S.3(1).

22 Robson, Nationalized Industry and Public Ownership, pp.246-51.

23 Robson, Nationalized Industry and Public Ownership, p.33. See also, Thompson and Hunter, The Nationalized Transport Industries, p.130.

24 Gourvish, British Railways, p.107.

25 Ibid., pp.106-7.

26 PRO, CAB 134/1180, Cabinet Committee on Road and Rail Transport (T); John Maclay [Minister of Transport and Civil Aviation], 'Notes on the Proposed Levy on Road Transport', T(52)9, 25/1/52.

27 Interview with Kenneth Glover, 20/2/97.

there had been a distinct lack of progress on road/rail integration.²⁸ The BTC attributed this to the lengthy process of acquiring road haulage undertakings (which was not complete by 1951), negotiating wage demands and charges schemes, the prevailing economic conditions and the differences in terms of employment and union representation of workers in different parts of the industry.²⁹

By September 1951, Barnes had concluded that, a 'bolder and more imaginative approach'³⁰ was required to integration, and that 'there may be a field for substantial economies in a radical modification of the transport system'.³¹ He suggested that a Royal Commission be established 'without delay' to examine:

the primary question... what part should be played by the railways in a fully integrated system having regard to all the means of transport and techniques of handling goods and passengers now available or likely to be so in the foreseeable future... until this fundamental issue is cleared it is hardly possible for the country to have a coherent transport policy... [and] our transport policy as a whole will be liable to drift and capital investment in transport will be devoid of firm guiding principles.³²

The inquiry might answer questions which would allow 'the railways to proceed much more rapidly and extensively with the closing of branch lines'.³³ The Cabinet did not have time to discuss this memorandum and no action had been taken on it when the Conservatives took office six weeks later.³⁴

The 1947 Act required the Commission to break-even as a whole, 'taking one year with another',³⁵ allowing the Commission to cross-subsidise loss-making services with surpluses earned elsewhere. This was merely a perpetuation of the railways' traditional

28 Gourvish, British Railways, p.66.

29 PRO, CAB 134/1180; Lord Hurcomb [BTC Chairman] - Maclay, 16/11/51, under covering note from Maclay, T(52)5, 9/1/52, appendix one: BTC, 'Transport Act 1947', December 1951.

30 PRO, CAB 129/47; Barnes, CP(51)245, 10/9/51.

31 Ibid.

32 Ibid.

33 Ibid.

34 PRO, MT 97/66, Transport Act 1947 (Amending Bill) General Policy; draft memorandum, 'Transport Policy', 27/11/51.

35 Transport Act, 1947; 10 and 11, Geo. VI, 49; S.3(4).

practice, but in retrospect this approach had the drawback of allowing the losses incurred by specific services and the extent to which passengers on profitable services were being taxed to subsidise losses elsewhere to be obscured. This removed the political scrutiny applied to other social services, as the Select Committee on Nationalised Industries was later to complain.³⁶ A second disadvantage was that an organisation which aims to break-even is clearly more likely to lose money than one which aims to make a profit, particularly as 'a protracted period of steeply rising costs was not contemplated when the Act was passed'.³⁷ Moreover, the Government purchased the railways at a price which, while it was not generous in relation to wartime earnings, ignored their future prospects altogether,³⁸ and required the Commission to pay a three per cent return on the £1,132 million of British Transport Stock, of which over 80 per cent was held by former railway shareholders ('an annual interest charge which in later years was far higher than the earning capacity of the railways warranted'³⁹), and a further £20 million a year towards the redemption of the stock.⁴⁰

The railways operated at a surplus in 1948-53; however, in 1948-50 the Commission did not earn enough to cover its central charges - consisting chiefly of interest on Transport Stock. The Commission argued that the main cause of its financial problems was the time lag between the submission of schemes for increasing charges to the Transport Tribunal and their subsequent approval. In September 1951, Barnes informed the Cabinet that he accepted this view. He recommended that the Commission be allowed to set rates and fares without reference to the Minister and subject to the *subsequent* approval of the Tribunal; and indicated sympathy for the Commission's desire

36 House of Commons Select Committee on Nationalised Industries, Report from the Select Committee on Nationalised Industries (Together with the proceedings of the committee, minutes of evidence and appendices) - British Railways (Cmnd. 254), (London: HMSO, 1960), pp.xcii-xciii.

37 PRO, CAB 129/47; Barnes, CP(51)245, 10/9/51.

38 Gourvish, British Railways, p.27.

39 Derek Aldcroft, British Railways in Transition - The Economic Problems of Britain's Railways since 1914, (London: Macmillan, 1968), p.110. Bagwell, Transport Revolution, p.298 makes broadly the same point.

40 Gourvish, British Railways, p.91.

to change the whole basis of its charging structure to give greater flexibility and take more account of service costs.⁴¹

The proposals which the Conservative Parliamentary Transport Committee drew up in opposition were based on two themes: denationalisation and decentralisation. The Party did not object to co-ordination as such, and, although officially opposed to nationalisation, were comfortable with the idea of transport as a public service.⁴² However, for the Conservatives, decentralisation had become 'a word in which the element of possible validity was dwarfed by the attribution of magic qualities to the concept... designed to wish away problems'.⁴³ Moreover, road haulage, together with iron and steel, represented the front line of industrial policy, because these had been competitive, profitable industries, the nationalisation of which could provide a precedent for further nationalisations by a future Labour government.⁴⁴ The 1947 Transport Bill had encountered more bitter and concerted Tory opposition than any previous measure introduced by the Attlee Government,⁴⁵ much of which was directed against its provisions regarding road haulage. The hauliers themselves waged a 'prolonged and strident'⁴⁶ campaign of opposition, during the course of which close links were formed between the industry and the Conservatives.⁴⁷ Lord Woolton, the Party Chairman, also chaired the National Road Transport Federation,⁴⁸ while, at the Bill's committee stage,

41 PRO, CAB 129/47; Barnes, CP(51)245, 10/9/51.

42 Harris, Competition and the Corporate Society, pp.94-6.

43 Ibid., p.88.

44 John Ramsden, A History of the Conservative Party - The Age of Churchill and Eden, 1940-1957 (London: Longman, 1995), p.190.

45 J. D. Hoffman, The Conservative Party in Opposition 1945-51, (London: MacGibbon and Key, 1964), p.237.

46 Bagwell, Transport Revolution, p.294.

47 John Ramsden, The Making of Conservative Party Policy - The Conservative Research Department Since 1929, (London: Longman, 1980), p.119; Ramsden, The Age of Churchill and Eden, pp.190-1.

48 Hoffman, The Conservative Party in Opposition 1945-51, p.237.

the Road Haulage Association (RHA) helped to prepare opposition amendments and an RHA director 'was in continuous attendance on MPs during sittings'.⁴⁹

The influence of hauliers within the Party was reflected in the personal tone of a 1951 speech by Sir David Maxwell Fyfe, who had led Conservative opposition to the Bill:

we believe that many haulage businesses have been sacrificed to no purpose... what I object to is the inability to distinguish between merely financial troubles and the trouble of heart and soul which comes from destroying businesses into which people have put not only their money but also their lives and every particle of their energy.⁵⁰

The lengthy process of acquiring haulage companies not only prolonged opposition, but strengthened the bond between the Party and the remaining hauliers.⁵¹ The hauliers' views were heard at the highest levels. Within a month of the 1951 General Election, the RHA had begun lobbying the Secretary of State for the Co-ordination of Transport Fuel and Power, Lord Leathers, (at his home address) to halt the BTC's acquisition of its members' vehicles.⁵² While, when Ministers discussed complaints that the BTC was refusing to renew hauliers' licences, in early 1952, Churchill expressed surprise 'at the small number [of firms] involved in view of the many reports of injustices and the strong feeling which existed in the Party'.⁵³

In its 1949 policy statement, The Right Road for Britain, the Party had said that those parts of the road haulage industry which had been nationalised would be sold off.⁵⁴ By the end of 1950, however, believing that it would only be possible to sell off ten or twenty per cent of the RHE's assets, the Conservative Parliamentary Transport Committee recommended that this sale take place and that Regional Transport Boards (RTBs) be set

49 Harris, Competition and the Corporate Society, p.95.

50 Maxwell Fyfe, House of Commons [HoC], Official Report, 12/11/51, col. 725.

51 Mick Hamer, Wheels Within Wheels - A study of the Road Lobby, (London: Routledge and Kegan Paul, 1987), p.102; John Boyd-Carpenter, Way of Life, (London: Sidgwick and Jackson, 1980), p.116.

52 PRO, MT 62/130, Lord Leathers' Private Office Papers, Road Haulage De-Nationalisation; R. Morton Mitchell [Chief Executive Officer and Secretary, RHA] - Leathers, 31/10/51.

53 PRO, PREM 11/287, Road and Rail Transport; Denationalisation of Transport; note of meeting held in the Cabinet room, 24/3/52.

54 J. Richardson, 'The Administration of Denationalization: The Case of Road Haulage', in Public Administration, vol.49 no.4, winter 1971, p.387.

up to operate railways and the remainder of the RHE within each region, with one central board replacing the Executives and the Commission. The 25-mile limit on private hauliers would be abolished, and they would be free to compete with nationalised road haulage. The policy on the BTC's road passenger transport interests was less clear but, while some would be offered for sale and others returned to municipal control, the RTBs would retain some services and a partial interest in others. Peter Thorneycroft, the committee chairman, suggested that legislation be passed soon after the General Election to allow some steps to be taken immediately (in particular the lifting of the 25-mile limit) while the major reforms could be postponed to a later stage.⁵⁵ The 1951 Conservative manifesto, Britain Strong and Free, committed the Party to modifying the 25-mile radius imposed on the operations of private road hauliers, allowing expropriated hauliers an opportunity to return to the business, reorganising publicly-owned transport into regional groups, allowing the Commission greater freedom on charges, halting the nationalisation of road passenger transport and subjecting public road transport to the same licensing system as its private competitors.⁵⁶

The MoT Permanent Secretary, Sir Gilmour Jenkins, was primarily interested in shipping, and left much of the rest of the Ministry's activities to his deputy secretaries.⁵⁷ An MoT working party was established under Sir Cyril Birtchnell, the deputy secretary responsible for inland transport, to consider how the Conservatives' manifesto pledges might be implemented,⁵⁸ and by late November had produced a draft paper.⁵⁹ MoT officials discussed their ideas with E. C. R. Kahn, a principal from the Treasury's Trade and Industry Division in November;⁶⁰ and by the end of the month Leathers had been

55 Ashridge Management College, Watkinson Papers [AMC/WP], Box I, BTC folder; Thorneycroft, 'Notes on Transport Policy', 30/11/50.

56 Quoted in Conservative Central Office, Notes on Current Politics, 1952, no.21, 10/11/52, p.12.

57 Boyd Carpenter, Way of Life, p.108.

58 Telephone conversation with William Sharp [Private Secretary to Sir Gilmour Jenkins in 1951], 13/12/98.

59 PRO, MT 97/66; Birtchnell - Jenkins, 8/11/51, refers to this, although the earliest draft I have found is dated '24?/11/51'.

60 PRO, T 228/402, Re-organisation of Road and Rail Transport, part one; Kahn - Frank Figgures [Treasury assistant secretary], 29/11/51; MT 47/381, Finance Division, Transport Bill, 1952/3: Transport Levy and Fund; undated list of Kahn's

shown a version of the paper and reacted positively.⁶¹ The resulting paper listed a number of possible criticisms of Government policy, including the following:

[the proposals] go far to abandon the principle of integration which under one form or another has been generally accepted as desirable for the last 20 years. The Government will be accused of wrecking an organisation which still has some chance of success without having any considered plan for transport as a whole to put in its place.⁶²

The paper argued that the BTC would lose capital on the sale of the RHE, as hauliers had been compensated for goodwill on nationalisation and this would not be recouped, and warned that the RHE would be unable to compete with private long-distance haulage, because the obligations which restricted its commercial activities could not be imposed on private hauliers. It would suffer disruption during the sell-off, and the hauliers would inevitably want to buy up only its most profitable parts. This would leave 'a mis-shapen and unprofitable undertaking'.⁶³

The paper proposed four solutions to the problem. Firstly, it tried to revive the inquiry Barnes had recommended, by arguing that the Government's proposals would be harder to criticise if they were presented as the prelude to some kind of wider investigation, for example a comprehensive inquiry 'into the whole pattern of transport in the country... directed towards ascertaining the most economical and efficient way of handling goods at the least cost to the community'.⁶⁴ This investigation would last at least two years and involve 'extensive examination of traffic in various areas of the country and of the means available for moving them. It might or might not lead to recommendations for a substantial modification of the existing railway system'.⁶⁵ The conclusion that such an inquiry might lead to more nationalisation rather than less did

comments on MoT paper - a manuscript note at the top was made on 23/11/51.

61 PRO, T 228/402; Kahn - Figures, 23/11/51 and 29/11/51.

62 PRO, MT 97/66; draft memorandum, 'Transport Policy', 27/11/51.

63 Ibid.

64 Ibid.

65 Ibid.

little for its chances of Cabinet approval.⁶⁶ During December, the paper was shown to John Maclay, the Minister of Transport and Civil Aviation, and the draft which emerged in his name was shorn of any reference to a transport inquiry.⁶⁷

Secondly, the sale of *all* of the BTC's road transport interests was proposed (with the exception of London Transport assets, the railways' collection and delivery services, and, possibly, the interests in road haulage companies held by the railways prior to nationalisation). This would fulfil the manifesto pledge without leaving an unprofitable rump RHE. The third suggestion was a levy on road transport. This might be imposed on all road vehicles (including private cars); but if it was only imposed on goods vehicles, a levy raising £10 million was expected to add around 0.1d to the cost of each ton mile of freight carried. The Government would also make a contribution. The levy 'would be used to meet deficiencies incurred by the Commission, assuming economical management and reasonable charges for their services',⁶⁸ and would be set by the Transport Tribunal. Finally, the Minister's powers over the Commission would be increased.⁶⁹

By December 1951, Leathers and Maclay were under pressure to come up with proposals for a Bill.⁷⁰ Although Kahn had taken a generally positive view of the Ministry's ideas,⁷¹ his superiors were less enthusiastic and felt that further study was required.⁷²

66 Ibid.

67 PRO, MT 97/66; Maclay, draft, 'Transport Policy', with covering note dated December 1951.

68 PRO, MT 97/66; draft memorandum, 'Transport Policy', 27/11/51.

69 Ibid.

70 PRO, CAB 128/23; Cabinet conclusions, CC(51)10(1), 22/11/51; PREM 11/287; E. Maude [Leathers' private secretary] - David Hunt [Churchill's private secretary], 22/12/51.

71 PRO, T 228/402; Kahn, note, 19/12/51.

72 PRO, T 228/402; Figgures - Sir Bernard Gilbert [Treasury second secretary] and William Armstrong [Principal Private Secretary to the Chancellor of the Exchequer], 20/12/51; Gilbert - Armstrong/Sir Edward Bridges [Treasury Permanent Secretary], 20/12/51; Bridges - Armstrong, 20/12/51.

At a meeting of Ministers and officials from the MoT and the Treasury just before Christmas, the Treasury view prevailed. Leathers asked Churchill for more time,⁷³ and the Cabinet established a Road and Rail Transport Committee.⁷⁴ This began its work in January 1952, by considering the final version of the Ministry's 'Transport Policy' paper.⁷⁵

The formulation of policy was complicated by a number of factors. The appointment of Lord Leathers as Secretary of State for the Co-ordination of Transport Fuel and Power was part of Churchill's "Overlord" system, under which a Minister in the Lords co-ordinated the work of more than one department, each headed by a Minister in the Commons. It was not a successful idea and was abandoned in September 1953.⁷⁶ Leathers had relevant experience as Minister of War Transport 1941-45, but had preferred then to concentrate on the immediate problems of meeting wartime transport needs rather than planning post-war transport policy.⁷⁷ His peacetime experience of transport related to shipping (as did Maclay's),⁷⁸ and his strengths were 'almost the opposite of those needed for a successful co-ordinator'.⁷⁹ He was not a career politician, had not been particularly active in politics since the war and felt something of an outsider in the

73 PRO, T 228/402; Figgures, note of meeting between "Rab" Butler [Chancellor of the Exchequer], Leathers, Maclay, Sir Arthur Salter [Minister of State for Economic Affairs], and MoT and Treasury officials, 21/12/51; PREM 11/287; P. Oates [Churchill's private secretary], filenote, 27/12/51.

74 PRO, CAB 128/23; Cabinet conclusions, CC(51)20(6), 28/12/51.

75 PRO, CAB 134/1180; T(52), first meeting, 7/1/52; Leathers, 'Transport Policy', T(52)2, 3/1/52.

76 For a discussion, see Peter Hennessy and David Welsh, 'Lords of all they Surveyed? Churchill's Ministerial Overlords 1951-1953', Parliamentary Affairs, vol. 51, no.1, January 1998, pp.62-70; Anthony Seldon, Churchill's Indian Summer - The Conservative Government 1951-55, (London: Hodder and Stoughton, 1981), pp.102-6.

77 Gourvish, British Railways, p.18.

78 Seldon, Churchill's Indian Summer, p.104; Harris, Competition and the Corporate Society, p.304.

79 Seldon, Churchill's Indian Summer, p.104.

Cabinet.⁸⁰ He lacked political experience and skill,⁸¹ and it was Lord Swinton who guided the Bill through its House of Lords committee stage.⁸²

The Cabinet Committee contained too many cooks, each of the members having had previous experience of transport policy. Surprisingly, given the post he had created for Leathers, Churchill appointed the Lord President of the Council, Lord Woolton, as Chairman of the committee. Like Woolton, Sir David Maxwell Fyfe, the Home Secretary, had played a leading role in opposing the 1947 Act. Sir Arthur Salter (see p.24 above), now Minister for Economic Affairs, became the Treasury representative. The last member was Peter Thorneycroft, President of the Board of Trade, who had chaired the Party committee that drew up the proposals in the first place. As a result, Ministers tended to get bogged down in the fundamentals of policy rather than simply representing their departments' interests. One could argue that this was a uniquely well-qualified group of Ministers to form a transport policy, but the evidence suggests otherwise.

The proposals in 'Transport Policy' clearly required careful consideration and consultation, but the Conservatives, with a majority of seventeen,⁸³ had no idea that they were embarking on thirteen years in power,⁸⁴ and were anxious to legislate quickly enough for the sell-off to be complete before the next General Election, thereby reducing the likelihood of a future Labour Government renationalising road haulage.⁸⁵ MacLay was under constant pressure from Churchill, Conservative backbenchers and other supporters to announce a policy.⁸⁶ The Cabinet also deprived itself of useful advice,

80 Ibid., pp.28, 76, and 95.

81 Geoffrey Lloyd [Minister of Fuel and Power, 1951-5], quoted in *ibid.*, p.105, footnote 32 (p.544); BL/MAC, C.14/1, 27/9/52.

82 Seldon, Churchill's Indian Summer, p.105.

83 Henry Pelling, Churchill's Peacetime Ministry, 1951-55, (London: Macmillan, 1997), p.11.

84 Macmillan, for example, feared 'another 200 majority for Labour, with Bevan... at the head' after the next election. (BL/MAC, C.13/1, 28/10/51).

85 PRO, CAB 134/1180; T(52), second meeting, 14/1/52.

86 Seldon, Churchill's Indian Summer, pp.187-8; PRO, CAB 134/1180; T(52), first meeting, 7/1/52; third, 21/1/52; fifth, 4/2/52; eighth, 3/3/52; ninth, 13/3/52; and twelfth meetings, 4/4/52.

deciding not to inform the Commission of the plan to sell off the RHE, on the basis that once the Executive's employees knew the organisation was doomed they would seek alternative employment and impair its efficiency.⁸⁷ This lack of consultation disappointed Treasury civil servants and dismayed the Chancellor of the Exchequer, 'Rab' Butler, and the Paymaster General, Lord Cherwell.⁸⁸ The Government's plans were presented to the BTC as a *fait accompli*.⁸⁹

The decision not to consult the Commission may well have been crucial. According to Lord Leathers, the primary reason for selling the entire RHE (rather than simply removing the 25-mile limit) was the belief that 'even a modest relaxation of the 25-mile limit to say 40 miles... would have a disastrous effect upon the finances of the Road Haulage Executive'.⁹⁰ Leathers claimed that he had been told this by Lord Hurcomb, the BTC Chairman, during private discussions between the two men in the first few days of the new Government's life.⁹¹ However, when Leathers reminded Hurcomb of this in July,⁹² the BTC Chairman fired off a memorandum denying that he or the Commission had ever claimed the RHE could not compete with private haulage, and making it clear that he felt it could, if it was freed from the obligation to carry.⁹³ In fact Hurcomb *had* given the impression that the BTC could not survive competition from private road haulage in communications with the Government in 1951 (he had not actually

87 PRO, PREM 11/287; note of meeting held in the Cabinet room, 24/3/52.

88 PRO, T 228/402; Gilbert - Armstrong/Bridges, 20/12/51; T 228/403, Re-organisation of Road and Rail Transport, part two; Figures - Gilbert, 9/4/52; PREM 11/287; Butler - Churchill, 2/5/52; Cherwell - Churchill, 22/4/52.

89 PRO, T 228/404, Re-organisation of Road and Rail Transport, part three; Figures - Gilbert, 30/4/52.

90 PRO, MT 62/144, Lord Leathers Private Office Papers; White Paper on Transport Policy: Notes and Correspondence; Leathers - Churchill, 20/5/52.

91 Ibid.

92 PRO, MT 62/144; Patrick Shovelton [Leathers' private secretary] - O. Gingell [Lennox-Boyd's private secretary] 22/7/52.

93 PRO, MT 62/144; Hurcomb, note, 21/7/52.

said so, but it was a reasonable inference).⁹⁴ It seems likely that when he originally met Leathers, Hurcomb had been at pains to paint as dark a picture as possible of the consequences for the Commission if the Government persisted with its policy, not realising that in doing so he would encourage them to go further. In the 1951 debate on the Address, Maxwell Fyfe had implied that the Commission would remain in the road haulage business,⁹⁵ and, had detailed consultations taken place then, perhaps the Government would have stuck more closely to the plans it had drawn up in opposition.

The Cabinet Committee on Road and Rail Transport was quickly obliged to conclude that, when the RHE was sold off, no preference could be given to former hauliers whose businesses had been acquired by the BTC.⁹⁶ But after nine meetings, the committee told the Cabinet that it remained divided over the levy.⁹⁷ By this time the proposed levy had been divided into two parts: part one would recoup the loss on the sale of the RHE; and part two (imposed on both hauliers and long-distance road passenger transport and paid into a fund controlled by the Minister), would meet that part of the railway deficit attributable to road competition (losses resulting from competition minus savings achieved through resultant closures).⁹⁸ This would maintain 'the principle embodied in the Transport Act [1947] that transport should pay for itself';⁹⁹ and allow road transport to

94 PRO, MT 97/66; BTC, 'Proposed Amendments to the Transport Act, 1947', 30/10/51; CAB 134/1180; T(52)5; Hurcomb - Maclay, 16/11/51, under covering note from Maclay, 9/1/52. Kahn shared Leathers' understanding of Hurcomb's view (PRO, T 228/407, Transport Bill 1952. Memoranda, Papers etc, part three; Kahn, 'Transport Bill', 8/9/52).

95 Maxwell Fyfe, HoC, Official Report, 12/11/51, cols 725-7. He said that the licensing authorities would be given jurisdiction over the BTC's vehicles as well as private ones.

96 PRO, CAB 134/1180; T(52), third meeting, 21/1/52.

97 PRO, CAB 129/50; Woolton, 'Reorganisation of Road and Rail Transport', C(52)83, 20/3/52.

98 Ibid. The "railways" included those road services and ports which were integral to them.

99 PRO, CAB 134/1180; Maclay, T(52)9, 25/1/52.

grow, while limiting the rate of expansion. This would prevent a railway deficit,¹⁰⁰ while enabling 'sections of the railways to be shut down if it proved that the roads could provide the necessary transport services more effectively'.¹⁰¹

Part two of the levy reflected the belief that the railways would lose money if subjected to competition from private hauliers. Ministry officials felt that the contention that 'under fairer conditions of competition rail could hold its own with road... [was] contrary to all experience in transport both here and abroad',¹⁰² Officials gave modernisation short shrift - 'likely at the best to yield no more than marginal financial results',¹⁰³ and told Ministers that 'there is no yardstick by which railway efficiency can be accurately measured and opinions consequently vary as to the extent to which it is capable of improvement'.¹⁰⁴ They felt that railway charges had to be subject to some controls, as parts of trade and industry were dependent on rail, and that the obligation to carry was not a significant burden on railway finances.¹⁰⁵

The levy suffered from two practical difficulties. The calculations involved in assessing the amount of traffic lost by the railways as a result of road competition, the financial consequences of this, and the extent to which the Commission could ameliorate these losses by economising, would be, as Salter put it, 'intricate and progressively unreal'.¹⁰⁶ Moreover, it was bound to be opposed by the very people who would be most enthusiastic about the denationalisation of road haulage - the hauliers and their customers. The Treasury objected on principle to a hypothecated tax (a tax raising revenue reserved for a specific purpose), especially once they had concluded that the levy

100 PRO, CAB 134/1180; Leathers, T(52)2, 3/1/52.

101 PRO, CAB 134/1180; Birtchnell, T(52) first meeting, 7/1/52.

102 PRO, CAB 134/1186, Cabinet Committee on Transport Policy (TP); MoT, 'Transport Bill', TP(52)13, 16/9/52.

103 Ibid., appendix.

104 PRO, CAB 134/1180; MoT, 'Efficiency of the Railways', T(52)11, 31/1/52.

105 Ibid.

106 PRO, CAB 134/1180; T(52), fourth meeting, 28/1/52.

might restrict the Chancellor's freedom to raise other taxes on road transport.¹⁰⁷ In economic terms, the levy was exactly the wrong policy, because it would increase the price of road transport in a way that bore no relation to true costs.

The idea that transport should pay for itself was a nonsense, because customers pay for transport, and the levy would charge road haulage customers for services they did not use. However, to Birtchnell and his colleagues, the term meant that the Treasury would not be required to bail out the Commission if it lost money. This was a major concern because Treasury officials felt that 'since the Exchequer appears bottomless to those who are receiving money from it',¹⁰⁸ to meet such deficits from central funds would remove any incentive to railway efficiency, and release the brake on the public's 'desire... for wasteful transport services',¹⁰⁹ and, in particular, on pay claims.¹¹⁰ Although Treasury officials never liked the levy, and tried to revive the idea of a Royal Commission or a similar study, the threat of a BTC deficit falling on the Exchequer maintained their grudging support for the idea.¹¹¹ At the heart of the proposal was a contradiction: introducing competition as an incentive to increased efficiency on the railways' part, while protecting the industry from the financial consequences of its failure to compete successfully. Thorneycroft had been particularly anxious to ensure that the levy did not 'tax road hauliers to the precise extent of their economic superiority over the railways',¹¹² and Woolton harboured similar reservations.¹¹³ Both supported the

107 PRO, T 228/402, in particular, Figgures, note on T(52)2, 4/1/52. The objection on principle was present from the first (MT 47/381; Kahn - Ira Wild [MoT Director of Finance], 30/11/51).

108 PRO, T 228/407; Kahn - Gilbert/Armstrong, 17/9/52.

109 PRO, T 228/403; Figgures - A. Mitchell [Salter's Private Secretary], 3/3/52.

110 Ibid.; PRO, T 228/407; Kahn - Gilbert/Armstrong, 17/9/52.

111 PRO, T 228/402; Figgures - Gilbert/Bridges/Armstrong, 28/12/51; T 228/407, Kahn - Gilbert/Armstrong, 17/9/52; Figgures - Gilbert/Armstrong, 1/10/52.

112 PRO, CAB 134/1180; T(52), third meeting, 21/1/52; fourth meeting, 28/1/52.

113 PRO, CAB 134/1180; T(52), third meeting, 21/1/52. The point was also raised by Lord Cherwell (PREM 11/287; Cherwell - Churchill, 22/4/52).

proposals by March, however, leaving Sir Arthur Salter, on behalf of the Treasury, as a lone dissenting voice.¹¹⁴

The Cabinet was asked to choose between the levy and Salter's suggestion that the Exchequer pay a grant to compensate the Commission for the loss on the sale of the RHE and assume direct responsibility for some part of the Commission's capital liabilities.¹¹⁵ The Commission would then pay the Exchequer whatever it could towards its capital charges and, by meeting any shortfall, the Exchequer would subsidise the BTC without appearing to do so. Treasury officials were by no means convinced, however, that this was a better idea than the levy.¹¹⁶ At the request of the Permanent Secretary to the Treasury, Sir Edward Bridges, Butler had arranged to meet Woolton in an attempt to divert the committee's report from Cabinet,¹¹⁷ but Woolton had been unable to make the meeting, and Churchill insisted that the Cabinet discussion went ahead.¹¹⁸

Unable to reach agreement, the Cabinet referred the proposals back to Woolton's committee, which was enlarged to include Butler, James Stuart (Secretary of State for Scotland), Walter Monckton (Minister of Labour), and Lord Swinton (Chancellor of the Duchy of Lancaster).¹¹⁹ Butler now expressed doubts that buyers would be found for the RHE's assets and that, even if they were, the 'proposals would not solve the problem of the railways'.¹²⁰ At the next committee meeting, however, unable to see any alternative, he accepted the levy,¹²¹ which was included in the draft White Paper

114 PRO, CAB 129/50; Woolton, C(52)83, 20/3/52.

115 Ibid.

116 PRO, T 228/402; Figgures - Burke Trend [Treasury under secretary], 1/2/52; T 228/403; Figgures - Mitchell, 12/3/52.

117 PRO, T 228/403; Armstrong - Butler, 19/3/52.

118 PRO, T 228/403; Armstrong - Gilbert, 21/3/52.

119 PRO, CAB 128/24; Cabinet conclusions, CC(52)33(4), 25/3/52.

120 PRO, CAB 134/1180; T(52), tenth meeting, 26/3/52.

121 PRO, CAB 134/1180; T(52), eleventh meeting, 3/4/52.

approved by the Cabinet on 10 April.¹²² Butler, having persuaded Churchill to delay publication of the White Paper until the BTC had seen it,¹²³ also tried to insert a clause indicating that it was not the final word on the Government's transport policy.¹²⁴ This was successfully resisted by Churchill and Leathers.¹²⁵

By the time the White Paper, Transport Policy (Cmnd 8538), was presented to Parliament on 8 May,¹²⁶ the Government had experienced something of a transport crisis. Gourvish has described how the Commission submitted a passenger charges scheme to the Transport Tribunal in April 1951, which was implemented in London in March 1952 and was to have been introduced outside London on 1 May. Maclay's support for the scheme was over-ruled by the Cabinet, strongly led by Churchill. The London scheme was referred to, and endorsed by, the CTCC. However, Maclay directed the Commission to postpone the *provincial* increases pending their referral to the CTCC. New fares were eventually introduced in August both within and outside London. The delay imposed by the Government cost the Commission £800,000. The real bone of contention was the Commission's abolition of certain discretionary fares. The revised scheme preserved these and imposed a flat-rate increase on all fares, costing the Commission an estimated £1.9 million a year.¹²⁷ Although Barnes had encountered similar problems in getting Cabinet approval for an increase in 1950, he had got his way.¹²⁸

The Government's intervention was chiefly the Prime Minister's doing, and was motivated not by concern at the economic affect of the increases but by press and public

122 PRO, CAB 128/24; Cabinet conclusions, CC(52)41(3), 10/4/52; CAB 129/51; Woolton, 'Road and Rail Transport', C(52)110, 8/4/52.

123 PRO, T 228/404; Armstrong - Bridges, 22/4/52.

124 PRO, PREM 11/287; Butler - Churchill, 2/5/52.

125 PRO, PREM 11/287; Leathers - Churchill, 2/5/52; CAB 128/24; Cabinet conclusions, CC(52)49(8), 6/5/52.

126 Bagwell, Transport Revolution, p.316.

127 Gourvish, British Railways, pp.101-4.

128 Ibid., p.100.

reaction to them.¹²⁹ In deciding to refer the provincial increases to the CTCC, the Cabinet agreed that its terms of reference ‘would be drawn in such a way so as not to bind them to recommendations which were consistent with the Transport Commission’s duty to meet their expense out of their revenue’,¹³⁰ and Ministers were prepared to persuade or direct the Commission if the CTCC did not come up with the required verdict.¹³¹ The Government was required to consult the Commission before issuing a direction, but only did so on the day it was issued, by telling Hurcomb of the proposal and offering to meet his colleagues.¹³²

Initially, Leathers had told the Cabinet that the increases were inevitable given the Commission’s requirement to pay its way, that if the CTCC recommendations would leave the Commission in the red, the Minister could only adopt them if he found another way (such as a subsidy) to balance the books.¹³³ Technically, the key issue was a ruling by Lord Simonds, the Lord Chancellor, that the Minister’s powers to issue a direction under the 1947 Act overrode the Commission’s obligation to break-even;¹³⁴ but, as a Cabinet memorandum from Leathers argued, it was the principle that fare increases should be free from political influence that was really at stake.¹³⁵ The breach of this principle set a precedent for the rest of the decade. The draft White Paper had proposed to allow the Commission to make immediate increases in charges ‘within proscribed limits... [and]

129 Ibid., p.102; PRO, PREM 11/1049, Proposals for Increasing the Revenue of the BTC: Increases in Fares; Churchill - Leathers, 4/3/52; Maclay - Churchill, 14/3/52, enclosing draft reply to Parliamentary Question, with alterations by Churchill; CAB 128/24; Cabinet conclusions, CC(52)26(3), 6/3/52; CC(52)41(4), 10/4/52.

130 PRO, CAB 128/24; Cabinet conclusions, CC(52)42(1), 10/4/52.

131 PRO, CAB 128/24; Cabinet conclusions, CC(52)43(4), 16/4/52.

132 PRO, MT 62/132; Lord Leathers’ Private Office Papers, BTC Increase in Charges, Gingell - Sidney Page [MoT under secretary], 8/5/52.

133 PRO, CAB 129/50; Leathers, ‘British Transport Commission Charges’, C(52)84, 19/3/52.

134 PRO, CAB 128/24; Cabinet conclusions, CC(52)42(1), 10/4/52.

135 PRO, CAB 129/50; Leathers, C(52)84, 19/3/52.

subject to subsequent approval by the Transport Tribunal'.¹³⁶ This did not fit well with the Government's recent actions, and was amended to emphasise 'the overriding powers of the Minister'.¹³⁷

The Ministry, which felt the railways were too independent, had already urged increasing government control over the Commission, although this kind of intervention was clearly not what officials had in mind - as is clear from their proposal to increase the Commission's freedom to raise fares.¹³⁸ The draft Bill allowed the Minister to intervene in the public interest as well as the national interest (the 1947 Act only allowed the latter).¹³⁹ Given that such a distinction was recognised, it is hard to see how the Government could justify its intervention on fares under the more limited terms of the 1947 Act - that it was in the national interest. As Gourvish has shown, following a debate within Whitehall on the question of increasing Ministerial control, the proposal was dropped.¹⁴⁰ Sir Donald Fergusson, the Ministry of Fuel and Power's Permanent Secretary, warned that such powers could be abused by a future Labour Government: 'all experience shows that it is not possible to have efficient management of great industries under political democracies if they can be used as instruments for extraneous political purposes'.¹⁴¹ One wonders if it was only Labour governments he was worried about. In preventing the increase, Churchill had over-ruled the Commission, the Transport Tribunal, the CTCC, Maclay, Leathers, the initial advice of Ministry officials, and his own Government's nascent policy. It was simultaneously a remarkable feat of will, a damaging error of judgement and a graphic illustration of the weakness of the Commission under the terms of the 1947 Act.

At the same time, Maclay was under pressure over the exercise of his quasi-judicial role in licensing road passenger services under the Road Traffic Act, 1930. This

136 PRO, CAB 129/51; Woolton, C(52)110, 8/4/52.

137 PRO, CAB 128/24; Cabinet conclusion, CC(52)44, 22/4/52.

138 PRO, CAB 134/1180; Leathers, T(52)2, 3/1/52.

139 Gourvish, British Railways, p.139.

140 Ibid., pp.139-41.

141 Fergusson - Lloyd, 16/6/52, quoted in Gourvish, British Railways, p.141.

protected the railways by placing the onus on bus operators to show that a need existed before a licence would be granted for a given service. The decision to revoke the licence of Northern Roadways to operate various summer services, although based on precedent, had been widely criticised, and Churchill pressed for a revision of the Act.¹⁴² Maclay was caught between the Cabinet's desire for a quick response and his officials' preference for an independent inquiry (a departmental inquiry was eventually appointed).¹⁴³ At the end of April, he was to have faced various questions on fares in the House of Commons. Instead, Churchill announced that the issue would be debated a week later.¹⁴⁴ The Prime Minister insisted that he, not Maclay, would open this debate, despite an entreaty from James Stuart.¹⁴⁵ In the event, Maclay was too ill to attend. He appears to have suffered a nervous breakdown.¹⁴⁶

This raised the problem that quasi-judicial decisions made in the Minister's name, could be challenged in court if it was clear that he was not personally responsible.¹⁴⁷ Maclay resigned on 3 May,¹⁴⁸ and was replaced by Alan Lennox-Boyd. The Prime Minister ignored the advice of the Cabinet Secretary, Sir Norman Brook, that 'the preparation of a complicated Bill in a hurry is essentially a matter for one man, rather than a committee',¹⁴⁹ and that Maclay should be replaced by a Minister who could take

142 PRO, CAB 128/24; Cabinet conclusions, CC(52)36(1), 3/4/52; CC(52)38(1), 7/4/52.

143 PRO, CAB 129/51; Woolton, 'Licensing of Road Passenger Vehicles', C(52)121, 9/4/52; CAB 128/24; Cabinet conclusions, CC(52)41(3), 10/4/52; CC(52)48(5), 1/5/52; MT 62/144; Woolton - Maclay, 10/4/52; Shovelton - Leathers, 23/4/52; CAB 134/1180; T(52), eighteenth meeting, 5/5/52.

144 Churchill, HoC, Official Report, 21/4/52, cols 37-45.

145 PRO, PREM 11/1049; Stuart - Churchill, 24/4/52, with Churchill's manuscript addition.

146 Boyd-Carpenter, Way of Life, p.107; Seldon, Churchill's Indian Summer, p.105; Gourvish, British Railways, p.103.

147 PRO, MT 62/134, Lord Leathers' Private Office Papers: Quasi-Judicial Responsibilities of the Minister of Transport; Churchill - Leathers, 1/5/52; Jenkins - Leathers, 1/5/52.

148 PRO, PREM 5/224, Ministerial Appointments 1951-52; Maclay - Churchill, 3/5/52.

149 PRO, PREM 11/287; Brook - Churchill, 30/4/52.

full responsibility for the legislation. The Minister remained outside the Cabinet and subject to Leathers' co-ordinating office. Lennox-Boyd had left London in an attempt to avoid the job and remain at the Colonial Office.¹⁵⁰ Nevertheless, he developed his own policy in the face of opposition from his civil servants, Leathers, and other colleagues.¹⁵¹

Following the publication of the White Paper in May, the Cabinet Committee on Transport Policy was established, to prepare a Bill.¹⁵² This committee was chaired by Leathers, and its original members were Salter, Maxwell Fyfe, Lennox-Boyd and Lord Swinton. The difficulties which the Government had encountered in framing its policy were merely a prelude to the trouble it ran into once it had announced it, and although the Bill was presented to Parliament, on 10 July the Government announced that it would not proceed with it in the current session.¹⁵³ The summer recess saw a 'mobilisation of road lobby opposition to the levy',¹⁵⁴ which culminated in the decision to abandon part two of the levy and present a new Bill. In Gourvish's view this was essentially 'a capitulation to road interests'.¹⁵⁵ However, opposition was not confined to the road lobby.

There were those within the Ministry who had had their doubts from the start.¹⁵⁶ At the Treasury, Kahn, who believed that the road lobby's opposition to the levy was significant in turning opinion against it,¹⁵⁷ commented in September that part two of the

150 Philip Murphy, draft chapter on Lennox-Boyd's period as Minister of Transport and Civil Aviation, unpublished manuscript, Imperial Endgame: Alan Lennox-Boyd and British Decolonization, enclosed in letter from Dr Murphy, 13/7/98.

151 I would concur with Gourvish that he appears to have thrown himself into the job (Gourvish, British Railways, p.138).

152 PRO, CAB 134/1186; Brook, 'Committee on Transport Policy', TP(52)1, 19/5/52.

153 Harold Crookshank [Lord Privy Seal], HoC, Official Report, 10/7/52, col. 1525.

154 Gourvish, British Railways, pp.137-9.

155 Ibid., p.139.

156 Telephone conversation with William Sharp, 13/12/98.

157 PRO, T 228/407; Kahn, 'Transport Bill', 8/9/52.

levy 'has had a very bad press and few defenders'.¹⁵⁸ The Times called the Bill, 'still only the rough draft of a policy';¹⁵⁹ the Daily Telegraph, 'a substantial improvement on the Socialist Act... marred by serious blemishes'.¹⁶⁰ In an editorial headlined 'Transport Travesty', The Economist accused the Government of 'an attempt to secure political favour at the expense of all serious consideration of transport economics and organisation. It is... inconceivable that this represents the final and mature thought of Conservative Ministers on the future of the country's biggest industry'.¹⁶¹ The Railway Executive disliked the idea,¹⁶² and Pelling's account quotes criticism from Conservative backbencher Sir Ralph Glyn, a former railway director.¹⁶³ The ABCC passed a resolution objecting to the Bill (admittedly, the ABCC could be said to be part of the road lobby in this instance as many members would have been 'C' licensees).¹⁶⁴

At the end of July, Lennox-Boyd informed the Transport Policy Committee that, 'outside of the Government and the Party the Transport Bill has hardly a friend',¹⁶⁵ and identified part two of the levy as being particularly unpopular.¹⁶⁶ He then spent most of the summer recess 'talking and thinking about the Bill and [found]... that the reaction of informed people and even those anxious to help us is no better'.¹⁶⁷ In July, Swinton expressed the fear that the Bill might not get through Parliament if it included part two of the levy; but Maxwell Fyfe argued that this could not be abandoned without taking the

158 Ibid.

159 PRO; CAB 21/3861, Committee on Transport Policy: General Correspondence; press cutting, 10/7/52.

160 PRO, CAB 21/3861; press cutting, 10/7/52.

161 PRO, CAB 21/3861; press cutting, 12/10/52.

162 PRO, CAB 134/1186; Lennox-Boyd, 'Transport Bill', TP(52)14, 18/9/52.

163 Sir Ralph Glyn (Conservative, Abingdon), HoC, Official Report, 21/5/52, col.517; quoted in Pelling, Churchill's Peacetime Ministry, p.76.

164 PRO, CAB 134/1186; TP(52), ninth meeting, 31/7/52 (revised record).

165 PRO, CAB 134/1186; Lennox-Boyd 'The Transport Bill', TP(52)12, 30/7/52.

166 Ibid.

167 PRO, CAB 134/1186; Lennox-Boyd, TP(52)14, 18/9/52.

whole plan with it.¹⁶⁸ By September, Swinton's opposition had hardened, and he was convinced that the idea was unworkable.¹⁶⁹ Part two of the levy had never secured total support within the Cabinet, and what support it had was often negative. For Leathers, it 'was an essential feature of the plan... although he must confess it was a part of the Bill which he would most cheerfully see dropped'.¹⁷⁰ Both Butler and Salter tried to save the proposal in the autumn, but only because the Treasury felt there was no alternative which would protect the Exchequer from meeting a deficit on the railways.¹⁷¹ Shortly before the first committee meeting after the August break, Leathers' private secretary was persuaded by Butler's Principal Private Secretary to divulge, reluctantly, that Leathers and Lennox-Boyd were planning to abandon the proposal without discussing their views with MoT officials.¹⁷²

On 19 September, the Committee considered a memorandum prepared by Ministry officials, which sought to deflect criticisms of the levy and suggested a ceiling be put on it; and another from the Minister arguing that part two should be dropped.¹⁷³ Lennox-Boyd felt that rather than looking at existing restrictions on the railways' commercial freedom and seeing what could be eased, the Government should 'start the other way and ask why should there not be complete freedom... and make every restriction justify itself'.¹⁷⁴ The BTC was already negotiating with representatives of trade and industry in an attempt to agree an extension of its commercial freedom. Lennox-Boyd also advocated 'drastic decentralisation of the railways... [and] some arrangement... whereby the liability for interest payments should be effectively divorced from the commercial and

168 PRO, CAB 134/1186; TP(52), ninth meeting, 31/7/52 (revised record).

169 PRO, T 228/409; Swinton - Butler, 19/9/52.

170 PRO, CAB 134/1186; TP(52), ninth meeting, 31/7/52 (revised record).

171 PRO, CAB 134/1186; TP(52) thirteenth meeting, 16/10/52; fourteenth meeting, 20/10/52; CAB 128/25; Cabinet conclusions, CC(52)91(2), 29/10/52; T 228/407; Figures - Armstrong/Gilbert, 29/9/52; Kahn - Gilbert, 17/9/52.

172 PRO, T 228/407; Armstrong - Figures, 5/9/52.

173 PRO, CAB 134/1186; MoT, TP(52)13, 16/9/52; Lennox-Boyd, TP(52)14, 18/9/52; TP(52), tenth meeting, 19/9/52.

174 PRO CAB 134/1186; Lennox-Boyd, TP(52)14, 18/9/52.

rate-fixing policy of the railway undertaking'.¹⁷⁵ Although Leathers had been implicated in the attempt to abandon part two of the levy, his dislike of it was outweighed by doubts about Lennox-Boyd's alternative of granting the railways greater commercial freedom.¹⁷⁶ Like the MoT officials, he felt that if the railways were given commercial freedom, and then lost traffic to the roads, they would put up the charges on their "captive" traffics (such as coal) to increase revenue, as well as using their greater financial resources to undercut road competition.¹⁷⁷ Nor were Treasury officials convinced by Lennox-Boyd's proposals, particularly as the details were still not finalised.¹⁷⁸

At the meeting on 19 September, and again three days later, the committee was unable to agree a course of action. Leathers, Maxwell Fyfe and the Treasury supported part two of the levy, Lennox-Boyd and Swinton opposed it. Needing a decision in time for the Conservative Party conference on 8 October, the committee referred the matter to the Cabinet.¹⁷⁹ Before the Cabinet met, Leathers, Lennox-Boyd and Maxwell Fyfe went to see Churchill, who concluded that perhaps part two of the levy should be dropped and asked Leathers to look into the alternatives.¹⁸⁰ Leathers' subsequent report to Churchill was drafted and discussed at a meeting of the Committee while Lennox-Boyd was away,¹⁸¹ and concluded, as Brook told Churchill, that 'all of the alternative measures which Mr Lennox-Boyd had in mind are after all... impracticable'.¹⁸² Churchill replied

175 Ibid.

176 PRO, CAB 134/1186; TP(52), eleventh meeting, 22/9/52.

177 Ibid.; PRO, CAB 134/1186; MoT, TP(52)13, 16/9/52; PREM 11/559, Denationalisation of Road and Rail Transport: Comments on Transport Bill; Leathers - Churchill, 3/10/52.

178 PRO, T 228/407; Figures - Gilbert/Armstrong, 1/10/52; T 228/408, Transport Bill, 1952: Memoranda, Papers etc, part four; Salter - Butler, 16/10/52; Figures - Gilbert, 17/10/52.

179 PRO, CAB 134/1186; TP(52), tenth meeting, 19/9/52; eleventh meeting, 22/9/52.

180 PRO, PREM 11/559; Hunt - Churchill, 24/9/52; Churchill - Leathers, 28/9/52.

181 PRO, CAB 134/1186; TP(52), twelfth meeting, 2/10/52; T 228/407; Leathers, draft minute to Churchill, 2/10/52.

182 PRO, PREM 11/559; Brook - Churchill, 3/10/52; Leathers - Churchill, 3/10/52.

that 'we must look further'.¹⁸³ On his return, Lennox-Boyd wrote a detailed refutation of Leathers' report,¹⁸⁴ and on 7 October the divisions in the Committee were brought to Cabinet, which accepted Cherwell's suggestion that part two of the levy be suspended for three years, by which time the effect of denationalisation would be clear.¹⁸⁵ Nevertheless, Churchill was increasingly in favour of dropping the whole idea, partly to make the sale of RHE assets more attractive,¹⁸⁶ and Lennox-Boyd took a non-committal line at the Party conference.¹⁸⁷

On 16 October, Leathers told the Prime Minister that the Committee now 'felt forced to think out our policy again from first principles'.¹⁸⁸ All they could agree on, however, was that the suspended levy was unworkable. Lennox-Boyd, with Swinton's support and Leathers' reluctant acquiescence, now proposed to abandon *both* parts of the levy *and* the RHE sale, lift the 25-mile limit and allow the railways greater charging freedom. Salter wanted the levy retained, because the success of Lennox-Boyd's proposals could not be predicted without knowledge of their, as yet undecided, details. Maxwell Fyfe felt that the proposal would not allow ex-hauliers sufficient opportunity to rejoin the industry. It was decided to return the issue to Cabinet.¹⁸⁹

The Cabinet of 22 October considered three memoranda. In the first, Leathers set out three policy options if part two of the levy were to be dropped and the railways' commercial freedom increased: proceeding with the Bill minus part two of the levy; allowing the Commission to keep part of its road haulage business; and Lennox-Boyd's proposal to abandon both the RHE sale and all the levy and simply lift the 25-mile limit -

183 PRO, PREM 11/559; Churchill pencilled this in the margin of Brook - Churchill, 3/10/52.

184 PRO, PREM 11/559; Lennox-Boyd - Churchill, 6/10/52.

185 PRO, CAB 128/25; Cabinet conclusions, CC(52)84(2), 7/10/52.

186 PRO, PREM 11/559; Churchill - Leathers, 16/10/52.

187 Lennox Boyd, conference speech, 1952, quoted in Conservative Central Office, Notes on Current Politics, 1952, no.20, 27/10/52, pp.18-9.

188 PRO, PREM 11/559; Leathers - Churchill, 17/10/52.

189 PRO, CAB 134/1186; TP(52), thirteenth meeting, 16/10/52; T 228/407; Salter - Butler, 16/10/52.



the latter being favoured by a majority of the Cabinet Committee at its meeting on the 16 October.¹⁹⁰ However, by the time it discussed this paper in draft on the twentieth, the Committee had been enlarged to include the Colonial Secretary, Oliver Lyttelton, and the Attorney General, Sir Lionel Heald.¹⁹¹ As a result, the majority opinion in the Cabinet Committee swung back in favour of suspending part two of the levy, and a second memorandum brought the Cabinet up to date.¹⁹² A third, from Lennox-Boyd, recommended his proposals as favoured by the first memorandum.¹⁹³ The Cabinet was unable to agree whether to suspend part two until the end of 1956 or abandon it completely. Ministers did reject Lennox-Boyd's scheme, however. Apart from the fact that it was 'a violent reversal of policy... [which] might shake public confidence in the Government',¹⁹⁴ at least one Cabinet member objected to it on the grounds that it was a step towards unregulated competition and that, in adopting it, the Government would be 'admitting that they had no road/rail policy to offer and were prepared to leave this problem to solve itself by the free play of economic forces'.¹⁹⁵ A week later, part two of the levy was abandoned. Crucial points in favour of this course were that it would lessen the ABCC's opposition to increasing the railways' freedom to charge, and that keeping part two would deter potential buyers from purchasing the RHE's assets.¹⁹⁶ Less than two weeks after the return to first principles, the policy was finalised.

It seems likely that the Government would have avoided taking a decision in October had it not been for the political embarrassment this would have caused. At any rate, the story of the levy must rank as a good example of how not to legislate. Gourvish has

190 PRO, PREM 11/559; Leathers, 'Transport Bill', C(52)346, 20/10/52, with Churchill's manuscript notes.

191 PRO, CAB 134/1186; TP(52), fourteenth meeting, 20/10/52.

192 PRO, CAB 129/56; Leathers, 'Transport Bill', C(52)352, 21/10/52.

193 PRO, CAB 129/56; Lennox-Boyd, 'Transport Bill', C(52)355, 21/10/52.

194 PRO, CAB 128/25; Cabinet conclusions, CC(52)88(3), 22/10/52.

195 Ibid.

196 PRO, CAB 128/25; Cabinet conclusions, CC(52)91(2), 29/10/52.

summarised the rival proposals and outcome,¹⁹⁷ but the significance of the detailed account provided here is that it brings out fully the atmosphere in which a significant piece of legislation came before Parliament. The likely future transport requirements of the country were submerged in a scramble between various desires: avoiding a deficit; avoiding political embarrassment; discouraging a future Labour Government from altering the policy; and keeping the hauliers, trade and industry and Government supporters happy. Sir Norman Brook's warning that the Minister should be left to get on with the job could not have been borne out more fully; Leathers was clearly incapable of providing leadership on the issue. The Government ended up with an unhappy combination of the original proposals and Lennox-Boyd's alternatives. The sell-off went ahead, but without part two of the levy to protect the Exchequer, while the extension of the railways' commercial freedom did not prevent a dramatic decline in the railways' financial performance in the years between the Transport Acts of 1953 and 1962.

The 1953 Act's attempt to denationalise road haulage 'was, to a substantial extent a failure'.¹⁹⁸ Even as it approved the Bill, the Government was still looking for ways to attract more buyers.¹⁹⁹ Nevertheless, it was decided that slightly over 90 per cent (32,441) of the BTC's vehicles were to be sold off.²⁰⁰ However, as the sale process proceeded, it became clear that the trunk services 'could not be sold without disrupting the whole road freight transport system',²⁰¹ and by mid-1955 it had become clear that there were few potential purchasers for those parts of the RHE which were to be sold off as large units.²⁰² In 1955, the Government announced that British Road Services would be allowed to retain sufficient vehicles to continue its trunk services, and this decision was

197 Gourvish, British Railways, p.138.

198 Richardson, 'The Administration of Denationalization', Public Administration, winter 1971, p.402.

199 PRO CAB 128/25; Cabinet conclusions, CC(52)88(3), 22/10/52.

200 Richardson, 'The Administration of Denationalization', Public Administration, winter 1971, p.393.

201 Ibid., p.398.

202 Ibid.

effected by the Transport (Disposal of Road Haulage Property) Act, 1956.²⁰³ Similarly, the Cabinet decided, in 1955, not to require the BTC to sell its various stakes in bus companies, partly because this would discourage the Commission from using buses to replace unremunerative railway services.²⁰⁴ Nor was the Minister's drastic decentralisation carried out, as the Commission was left to reorganise itself within guidelines laid down by the Act (see Chapter Two, pp.58-61).

From an operating surplus of £16.4 million in 1954, the railways slipped into the red in 1956. In 1958 the deficit (£48.1 million) was more than ten per cent of gross revenue and, although the following year saw an improvement, by 1962 it was £104 million - more than twenty per cent.²⁰⁵ The effect of increasing road competition on the railways is cited by Gourvish as one explanation for the decline in the Commission's freight business; the others being changes in the location of industry and reduced coal production.²⁰⁶ However, this decline was not so great that it brought the volume of rail freight below pre-war levels, and passenger traffic volume actually rose slightly in the first five years after 1953. Gourvish concludes that the railways' financial problems were primarily caused by the fact that costs rose faster than earnings.²⁰⁷ This was partly a result of the Commission's policies; it was slow to appreciate the seriousness of the railways' position and over-estimated the extent to which commercial freedom and modernisation could turn losses into profits. In particular, this led it to carry certain goods at a loss, in an attempt to retain traffic which might otherwise be lost to roads.²⁰⁸

203 Bagwell, Transport Revolution, p.319.

204 PRO, CAB 128/29; Cabinet conclusions, CM(55)38(3), 27/10/55; CAB 129/77; Lord Kilmuir [Lord Chancellor], 'Road Passenger Transport', CP(55)135, 24/9/55.

205 Gourvish, British Railways, Table 17, p.175. Source: BTC Report and Accounts, 1951-62. These figures include various ancillary services such as road collection and delivery.

206 Ibid., pp.178-9.

207 Ibid., p.179, including Table 19. Source: Denys Munby and A. H. Watson (eds.), Inland Transport Statistics: Great Britain 1900-1970, I, (Oxford: Oxford University Press, 1978), pp.87 and 105.

208 Ibid., pp.198-203.

The dire position in which the Commission found itself by the end of the 1950s cannot be blamed entirely on the 1953 Act. Nevertheless, the Government's janus-faced approach to commercial freedom, and its failure to frame its policy within the context of future transport demand, represented two key failings in the formation of policy during 1951-3 which were to have serious repercussions for the BTC. The intervention over fares in 1952 set a precedent for far more serious interventions in the BTC's finances later in the decade, which are discussed in Chapters Two and Three. These not only involved restricting price increases, but encouraging the Commission to pay wage increases it could not afford. Moreover, the Commission's commercial freedom continued to be limited by the existence of the CTCC and TUCCs (the role of the consultative procedure in discouraging railway closures is described in later chapters).²⁰⁹ The contradictions between a policy of competition and the Government's actions were embodied in the continuation under the 1953 Act of the Commission's conflicting obligation to operate 'with due regard to ... efficiency, economy and safety... and to the needs of agriculture, commerce and industry'.²¹⁰

The 1953 Act allowed the BTC to submit maximum charges to the Transport Tribunal. Below these maxima, the BTC was free to vary its charges and to discriminate between customers. Only the maximum charges had to be published.²¹¹ In his 1958 work, British Transport Policy, John Sargent, Economics Fellow of Worcester College, Oxford, argued that both the 1947 and, in particular, 1953 Acts had been steps in the right direction, in that they encouraged a closer correlation between costs and charges.²¹² However, Gourvish has argued that the 1953 Act did little to simplify the cumbersome machinery surrounding railway charges',²¹³ and that the supposed *quid pro quo* of

209 Under the new Act, the Scottish and Welsh TUCCs reported direct to the Minister, as well as to the CTCC and the BTC. (Robson, Nationalized Industry and Public Ownership, p.248).

210 Transport Act, 1953, 1 and 2 Eliz. II, 13; S.25(1).

211 John Sargent, British Transport Policy, (Oxford: Oxford University Press, 1958), pp.59-60.

212 Sargent, British Transport Policy, p.85.

213 Gourvish, British Railways, p.184.

increased commercial freedom for the railways and the return of private enterprise to long-distance road haulage was 'somewhat illusory'.²¹⁴

Gourvish's view is supported by the story of the railways' merchandise charges scheme. The Commission had not finished work on a scheme it was drawing up under the terms of the Transport Act, 1947, when it was obliged to begin again in response to the 1953 Act.²¹⁵ The resultant scheme would have allowed the railways to carry 90 per cent of their freight traffic at prices which would cover direct costs.²¹⁶ However, despite five months of consultation between the Commission and its customers (who had been consulted on the preparation of the Bill²¹⁷), before the scheme was submitted to the Transport Tribunal in March 1955, the Tribunal asked the Commission to modify its plans (after sixteen months of consideration) as a result of objections by traders.²¹⁸ The scheme was not implemented until July 1957,²¹⁹ by which time it was 'too late to arrest the considerable loss of merchandise traffic to [road transport]'.²²⁰ The idea that a "freedom" to charge which had been so thoroughly circumscribed by the views of the customer would benefit the railways was surely dubious, and this clearly did not represent the fulfilment of Lennox-Boyd's proposal of a radical approach to commercial freedom.

The extent to which road transport was to expand in the succeeding decades was not apparent in the early 1950s, as Chapter Four will show. In retrospect, it is clear that the most pressing requirement on transport policy in 1952 ought to have been the formulation of an approach to deal with the implications of the revolution which was about to take place. It would be unreasonable to criticise Ministers for their failure to appreciate this at the time; however, they were not completely ignorant of the likely

214 Ibid., p.139.

215 Ibid., p.184.

216 Sargent, British Transport Policy, p.62.

217 PRO, CAB 128/25; Cabinet conclusions, CC(52)88(3), 22/10/52; CAB 134/1186; TP(52), sixteenth meeting, 27/10/52.

218 Gourvish, British Railways, p.184.

219 Ibid.

220 Ibid., p.203.

trends. Birtchnell had raised the possibility that a study of transport would lead to the closure of railway lines; and both Leathers and Kahn had referred to the possible desirability of cutting out stopping train services and replacing them with buses.²²¹ Had Ministers started by asking "what are the transport requirements of the country and how might they be provided?", they might have come up with a different policy. Instead, the Act suffered from the Government's tendency, identified by Treasury assistant secretary Frank Figgures, to start 'from the proposal that road transport should be denationalised and... [to consider] the major problem of the relationship between road and rail transport only in so far as they were incidental to this declared major objective'.²²² Figgures was talking about the Cabinet Committee on Road and Rail Transport, but his remarks could equally well be applied to the Government as a whole.

The Cabinet, and Churchill in particular, do not appear to have been too concerned at the prospect of a railway deficit. Churchill believed that:

It does not matter whether the nationalised railways show a deficit, though of course every possible economy should be used in their administration. What is important is that the public should have the best transport service on the roads which can only be furnished by private enterprise.²²³

In the Cabinet Committee on Road and Rail Transport, Salter had argued that 'the real heart of the problem [was] the efficiency and management of the railways and their ability to compete with road transport',²²⁴ and urged that 'we should not... exclude the prospect that we can devise machinery to enable the railways to stand on their own feet'.²²⁵ Woolton, however, doubted 'whether the efficiency of the railways was in fact the central problem before the committee. The important feature of the proposals was that they

221 PRO, PREM 11/287; Churchill - Leathers, 30/5/52; T 228/404; Kahn - Figgures 28/4/52.

222 PRO, T 228/403; Figgures, note on T(52)16, 3/3/52.

223 PRO, PREM 11/287; Churchill - Leathers, 7/4/52, quoted in Gourvish, British Railways, p.138.

224 PRO, CAB 134/1180, Salter, 'The Levy and the Reorganisation of Road and Rail Transport', T(52)13, 1/2/52.

225 Ibid.

appeared to fulfil the Government's pledges about road transport, while... providing a form of "integration" by way of a direct financial link between road and rail'.²²⁶

The consequence of this approach was that the question of railway efficiency occupied a great deal of Ministerial and official time in the decade that followed. The Government had created an environment in which the conflict between the public service element of the BTC's brief and the requirement that it break-even was certain to be exacerbated. It had also missed an opportunity to anticipate the problems which were soon to arise as a result of the growth in road transport, which its policy would help to encourage. These failings were to be repeated in the ensuing years. In the absence of a policy which identified and funded the social services provided by the BTC, Ministers were obliged to think in terms of a general subsidy relating to an overall deficit, and inevitably came up against the problem of how to ensure that the deficit was limited by good management. This was a problem that they eventually discovered could not be solved under the 1953 Act. In making this criticism, it must be recognised that the Government's unwillingness to go further in allowing the railways to compete, was matched by public opinion, a point which Sargent emphasised.²²⁷ It could be argued that the 1953 Act went as far as was possible given public feeling in relating charges to costs. However, the account given here of the framing of the Act shows that the Government did not base its policy on any detailed economic analysis, nor did it attempt to lead public opinion. The 1953 Act went in the right direction in terms of costs and charges, but it was not so much a step as a stagger.

226 PRO, CAB 134/1180, T(52), fifth meeting, 4/2/52

227 Sargent, British Transport Policy, pp.66-7.

2: Ends Without Means

From the grime and muddle of 1955, from a very recent piece of politicking which everybody would like to forget, the public is invited to lift its eyes towards 1974. Look; there is an electric or diesel (or, just possibly, atomic) train pulling silently, briskly competitive, smog-free, out of the glistening chromium of the new Kings Cross.

This is the stuff to give a government which likes to seem forward-looking.

The Economist on the Modernisation Plan, January 1955.¹

Decisions of principle and the resolution to carry them through... are qualities that can be provided in a nationalised industry, by the government itself or not at all.

The Economist, January 1955.²

The Churchill Government's railway policy came of age in January 1955. This month saw the completion of the reorganisation of the British Transport Commission (BTC) under the 1953 Act,³ the settlement of a long-running railway pay dispute, and the publication of A Plan for the Modernisation and Re-equipment of British Railways (the Modernisation Plan). In February, the Government claimed that the Commission would eventually be able to pay its way and cover the cost of the wage settlement.⁴ The Modernisation Plan was a key element in its explanation of this belief. This chapter argues that not only was the Government's faith misplaced, but its policy was characterised by the adoption of short-term expedients which undermined the statutory relationship between Ministers and the BTC and set the Commission on the road to bankruptcy. By way of background, the reorganisation of the Commission under the Transport Act, 1953, and the failings of its post-1955 investment programme are

1 Public Record Office [PRO], MT 47/405, British Railways: Modernisation Plans; cutting: The Economist, 29/1/55, 'Millions for Cinderella'.

2 Ibid.

3 Terence Gourvish, British Railways 1948-73 - A Business History, (Cambridge: Cambridge University Press, 1986), pp.214-5.

4 Harold Watkinson [Parliamentary Secretary, Ministry of Labour], House of Commons [HoC], Official Report, 3/2/55, col. 1289; "Rab" Butler [Chancellor of the Exchequer], *ibid*, col.1302; PRO, T 234/560; Butler - Enoch Powell [Conservative MP, Wolverhampton SW], 15/2/55.

discussed. A summary of the pay dispute of 1953-5 follows. The Government's motives for intervening to get a settlement and its formula for funding the settlement are then examined. In conclusion, the chapter argues that the reality behind this formula was a drift towards subsidising the railways.

In October 1953, the MoT and the Ministry of Aviation merged, creating the Ministry of Transport and Civil Aviation (MTCA).⁵ The following July, Lennox-Boyd was replaced as Minister by John Boyd-Carpenter.⁶ The Transport Act, 1953 left the details of the Commission's reorganisation to be decided by the Commission itself, because it was felt that 'railway experts... alone have the necessary knowledge and experience to produce the technical plan'.⁷ The new organisation was set out in a White Paper, Railways Reorganisation Scheme (Cmnd. 9191), published in July 1954.⁸ The reorganisation has been described in detail by Gourvish and is only summarised here.⁹ In October 1953 the Railway Executive was abolished and the Commission was reorganised on an interim basis until January 1955, when six Area Boards (Southern, Western, Eastern, London Midland, North Eastern and Scottish) were established to supervise the activities of the Chief Regional Managers. Nigel Harris has argued that, with the exception of coal, 'there is little evidence that much thought was given to... what... [decentralisation] was to mean in detail in given industries'.¹⁰ This attitude was reflected when Lennox-Boyd, attempting to find a way of reintroducing competition without bankrupting the railways or adopting part two of the levy, called for 'drastic' decentralisation, although decentralisation was already provided for in the Bill.¹¹

5 Anthony Seldon, Churchill's Indian Summer - The Conservative Government 1951-55, (London: Hodder and Stoughton, 1981), p.226.

6 Ibid., p.228.

7 PRO, CAB 134/1186, Cabinet Committee on Transport Policy (TP); Alan Lennox-Boyd [Minister of Transport and Civil Aviation], 'Transport Bill', TP(52)14, 18/9/52.

8 Gourvish, British Railways, p.149.

9 Gourvish, British Railways, pp.137-72.

10 Nigel Harris, Competition and the Corporate Society - British Conservatives, the State and Industry, 1945-64, (London: Methuen, 1964), p.88.

11 PRO, CAB 134/1186; Lennox Boyd, TP(52)14, 18/9/52.

The Area Boards represented only a limited fulfilment of the decentralising aims of the Act.¹² Nevertheless decentralisation went far enough to discourage economies made possible by railway unification such as the pruning of duplicate routes and facilities,¹³ and operational decentralisation gave rise to some inefficient practices.¹⁴ In 1955 the Fleck Committee's report on the coal industry criticised its decentralisation on the grounds that each tier tried to assert its independence from higher authority while attempting to control those below it.¹⁵ A similar problem afflicted the railways. The 1953 Act did not define the precise relationship between the Commission and the Area Boards,¹⁶ and 'it wasn't always easy for the Commission to make its writ run'.¹⁷ This was a crucial failing as, while the BTC was responsible for making policy in regard to investment and the withdrawal of unremunerative services, in both cases individual proposals came from the Area Boards.¹⁸ Meanwhile, the abolition of the Railway Executive left the reconstituted Commission with the dual role of overseeing all nationalised transport, and acting as central authority for the railways.¹⁹ The abolition of the Commission under the Transport Act, 1962 and the re-creation of a central railway authority in the form of the British Railways Board (discussed in Chapter Five, pp.219-22), were indicative of the failure of this aspect of reorganisation.

The most important failings of the reorganisation, however, were nothing to do with the merits or otherwise of decentralisation. The new structure and the appointments

12 Gourvish, British Railways, pp.148-50 and 165-6.

13 For example, see David St John Thomas, West Country Railway History [The papercovered edition of A Regional History of the Railways of Great Britain Volume One: The West Country], (Newton Abbot: David and Charles, 1960 [sixth edition 1988]), pp.265-6.

14 Philip Bagwell, The Transport Revolution, (London: Routledge, 1988) [First published as The Transport Revolution from 1770, London: Batsford, 1974], p.320.

15 William Robson, Nationalized Industry and Public Ownership, (London: George Allen and Unwin, 1960 [revised second edition, 1962]), pp.82-3.

16 Gourvish, British Railways, p.143.

17 Interview with Sir Geoffrey Wardale [MoT official throughout 1951-64], 24/4/98.

18 Gourvish, British Railways, pp.206 and 273.

19 Ibid., pp.156-7.

within it were ill-suited to the difficult years ahead. In September 1953, Sir Cyril Hurcomb retired as BTC Chairman and was replaced by General Sir Brian Robertson, who oversaw the reorganisation.²⁰ Robertson was Commander-in-Chief of Britain's Middle East Land Forces and was involved in delicate negotiations over Anglo-Egyptian relations when Churchill offered him the job.²¹ The extent to which he was aware of what the task involved can be gauged from his biographer's account of how Robertson accepted the job after his wife had been assured by the Ministry's Permanent Secretary, Sir Gilmour Jenkins, (whom Robertson already knew) that the job would not be affected by the new Transport Act.²² Although Robertson had some commercial experience as Managing Director of Dunlop's South African subsidiary, 1935-39, he was essentially an army organiser, with no knowledge of the railway industry.²³

Gourvish has argued that the Area Boards' part-time nature 'made it difficult for them to do much more than act as regional public relations agents for the Commission';²⁴ while at the Commission, 'the combination of a few undynamic railwaymen, under-paid full-timers and poorly-paid part-time businessmen was not a very potent managerial cocktail'.²⁵ The final organisation created 'a great semi-military bureaucratic edifice', which lacked a clear chain of command, confusing and demoralising railway managers.²⁶ Much of the problem stemmed from Robertson's creation of a co-ordinating General Staff at the Commission 'the supposed functions [of which] elude precise definition'.²⁷ The reorganisation process 'tended to divert talent and resources away from the vital tasks of improving the railways' technical efficiency'.²⁸ One official

20 Ibid., pp.141-2.

21 David Williamson, A Most Diplomatic General - The Life of General Lord Robertson of Oakridge, Bt GCB GBE KCMG KCVO DSO MC 1896-1974, (London: Brassey's, 1996), p.173.

22 Ibid., p.174.

23 Gourvish, British Railways, pp.142-3.

24 Ibid., p.165.

25 Ibid., p.164.

26 Ibid., p.171.

27 Ibid., p.154.

28 Bagwell, Transport Revolution, p.320.

at the Commission's headquarters 'had nothing to do for six months but read the [*sic*] *Times*'.²⁹ Coming straight after the period of uncertainty which had followed the 1951 General Election, (which itself took place before the reorganisation under the 1947 Act can really be said to have been completed), this hiatus had a detrimental effect on the preparation of the Modernisation Plan.³⁰ As one Treasury official complained on seeing the proposals for reorganisation, 'when we want major plans for economy and efficiency, we are left with a piece of constitution-mongering'.³¹

Modernisation was to be the great white hope of the railways under Robertson's chairmanship, and the Modernisation Plan proposed the spending of £1,240 million over a fifteen-year period (for comparison, the *total* public expenditure for 1955 was approximately £6,260 million³²). The Commission generally referred to its investment as the modernisation plan, but the published document was merely a blueprint.³³ In this thesis the BTC's investment programme after 1955 is referred to as the 'modernisation programme', and references to the Modernisation Plan relate solely to the document published in January 1955. Gourvish has attributed the failure of modernisation to prevent the railways' financial collapse to a variety of causes. Government intervention in the Commission's investment programme was not a major factor before 1960, except in that it discouraged the Commission from buying foreign diesel locomotives, which meant ordering instead from less expert British firms.³⁴ Apart from the organisational problems indicated above, the performance of specific committees, in particular the Traffic Survey Group, errors in purchasing and choice of technology, and attempts to speed up the programme in response to increasing deficits all contributed.³⁵ The story of the

29 Williamson, A Most Diplomatic General, p.181.

30 Ibid; Gourvish, British Railways, pp.258-9.

31 PRO, T 228/404, Re-organisation of Road and Rail Transport, part three; Alexander Grant [Treasury assistant secretary] - J. Robertson [Treasury under secretary] 3/5/54.

32 Thelma Liesner, One Hundred Years of Economic Statistics: United Kingdom, United States of America, Australia, Canada, France, Germany, Italy, Japan, Sweden (second edition), (London: The Economist, 1989), p.59.

33 Gourvish, British Railways, p.265.

34 Ibid., pp.284-7.

35 Ibid., pp.286-93.

Commission's policy on a freight wagon braking system is illustrative. As a result of pressure from the regions, and under a proposal made in 1949, the Commission bought the wrong type of equipment (vacuum instead of air brakes), at too high a price, and attempted to fit the brakes to its entire wagon fleet (despite the impracticalities of using such equipment on many freight services), only to abandon the policy in 1960 and pay compensation for cancelled orders.³⁶

The real flaw in railway modernisation after 1955 was the failure to relate investment to an analysis of future traffic prospects. Gourvish has argued that the Modernisation Plan was based on an attempt to do this, and that its estimates were generally within reason, although crucially wrong on coal (where the National Coal Board's own, over-optimistic, figures were used) and general merchandise, where the effect of road competition was underestimated.³⁷ However, the relationship between overall policy and specific schemes was muddled, and there was a lack of proper investment appraisal. The Commission retained control of policy, while the Area Boards put forward specific proposals; but the latter submitted schemes on their technical or operating, rather than financial, merits.³⁸ As a result, aspects of the investment programme clearly ignored the Plan's stated aim 'to exploit the natural advantages of rail as bulk transporters of passengers and goods... [and to concentrate] on those functions which the railways can be made to perform more efficiently than other forms of transport'.³⁹ This was most evident in attempts to make wagon-load freight pay, which provided brand new marshalling yards which were never used to capacity,⁴⁰ and the introduction of diesel traction on hopelessly unremunerative branch lines.⁴¹ While it was inevitable that the financial benefits of some improvements - for example to stations - would be hard to assess in isolation, even the electrification of the Euston-Manchester/Liverpool main line, the flagship project, was a financial mess (see Chapter

36 Ibid., pp.290-3.

37 Ibid., p.265-6.

38 Ibid., p.303.

39 BTC, A Plan for the Modernisation and Re-equipment of British Railways, (London: BTC, 1955), p.6.

40 Gourvish, British Railways, p.289.

41 Ibid., p.209.

Five, pp.214-5). The Commission justified much of its investment by calculating a return on 'betterment' - the difference between the cost of renewing existing equipment and introducing improvements.⁴² This was not a valid calculation if the original equipment was operating at a loss.

To an extent, the shortcomings in the Modernisation Plan resulted from the fact that the Commission was under pressure from the Treasury to produce something quickly which need only be an outline of what would be done.⁴³ The Treasury and the Ministry of Fuel and Power were anxious to reduce the Commission's coal consumption as there was a shortage of coal, and in particular of "large coal", the best kind for locomotives.⁴⁴ More importantly, a Bill to extend the BTC's borrowing powers had to be introduced in early 1955, or the Commission would reach the limit of its existing powers. The Treasury therefore wanted the Commission pressed to produce something, if only an outline, before Parliament debated the Bill.⁴⁵ It was obvious that modernisation was required after decades of net disinvestment, and at least one key official, Alexander Grant, an assistant secretary in the Treasury's Trade and Industry Division, believed that the railways must have developed 'carefully considered plans'⁴⁶ during this period. Plans they had, but these tended to be based on the requirements of the 1930s rather than the 1950s. The rush to produce proposals resulted in a plan which consisted of a tentative programme to replace steam traction 'plus a lot of mouldering schemes which the BTC and the Regions

42 Ibid., p.278.

43 Ibid., pp.264-5.

44 PRO CAB 128/26; Cabinet conclusions, CC(53)46(7), 9/7/53; and CC(53)45(7), 23/7/55; CAB 128/27; Cabinet conclusions, CC(54)37(6), 2/6/54; MT 124/46, BTC: Long-term Plans for Railway Modernisation, part one; Ira Wild [MTCA Director of Finance] - Grant, 28/5/54; Grant - Wild, 14/6/54; Wild - Margaret Churchard [MTCA assistant secretary], 15/6/54; MT 124/31, Cabinet Coal Committee: Shortage of Large Coal; Use of Brickettes and Conversion of Steam Locomotives to Oil Burning; filenote of MTCA/BTC/Ministry of Fuel and Power meeting, 29/7/54.

45 PRO, T 234/559; Robertson - Grant, 5/10/54; Grant - Robertson, 6/10/54, with Robertson's additions, 9/10/54; J. D. Rae [Treasury principal], brief on BTC Borrowing Bill, 26/10/54, with additions from Sir Herbert Brittain [Treasury second secretary], 28/10/54; Robertson, brief on BTC Borrowing Bill, 27/10/54.

46 PRO, MT 124/46; Grant - Wild, 14/6/54.

had found after a hurried search in their pigeon holes’;⁴⁷ With the Commission reorganising and under pressure from Whitehall, the calculations in the Modernisation Plan were the result of the ‘hasty, not to say slap-dash’⁴⁸ deliberations of an *ad hoc* committee set up under BTC Financial Comptroller Sir Reginald Wilson to brush up the plan for presentation to the Minister. This began work on 18 November 1954,⁴⁹ and inserted the figure of £85 million as the estimated eventual annual return on the plan, the basis for which Gourvish has been unable to establish.⁵⁰ The Plan was delivered to the Ministry on 21 December 1954.⁵¹

The course of wage negotiations during 1953-55 has been well-documented elsewhere.⁵²

In December 1953, the National Union of Railwaymen (NUR), the Associated Society of Locomotive Engineers and Firemen (ASLEF) and the Transport Salaried Staffs’ Association (TSSA) rejected the outcome of arbitration under the complex machinery for negotiating railway wages. The Commission reached a settlement with ASLEF, but Cabinet pressure was decisive in improving the Commission’s offer, and averting a strike by the NUR. As the Minister of Labour, Sir Walter Monckton, was well aware, the settlement was ‘a surrender to force’.⁵³ It also set a precedent for the relative roles of Robertson and the Cabinet in settling railway pay. The deal included a pay review, which led to further negotiations and a settlement in October 1954. However, by December the NUR had gone back on this and was again threatening to strike.⁵⁴

47 Gerard Fiennes, I Tried to Run a Railway, (London: Ian Allan, 1967), p.77.

48 Gourvish, British Railways, p.266.

49 Ibid.

50 Ibid., p.267.

51 PRO, MT 124/46; Robertson - Boyd-Carpenter, 21/12/54.

52 Gourvish, British Railways, pp.217-24; Henry Pelling, Churchill’s Peacetime Ministry, 1951-55, (London: Macmillan, 1997), pp.115-6 and 159-61; Andrew Roberts, Eminent Churchillians, (London: Weidenfeld and Nicolson, 1994 [Phoenix Edition, 1995]), pp.266-74.

53 PRO, CAB 129/64; Monckton, ‘Industrial Disputes’, C(53)363, 29/12/53, quoted in Pelling, Churchill’s Peacetime Ministry, p.116.

54 Gourvish, British Railways, pp.217-23.

Monckton and Boyd-Carpenter recommended that the Government should not intervene.⁵⁵ However, on 21 December, negotiations foundered on the Commission's insistence that it could not afford to increase its offer, and the union called a strike for 9 January.⁵⁶ Two days later, Monckton appointed a Court of Inquiry, under Sir John Cameron QC, and hinted to Cameron that the Government would accept its findings.⁵⁷ On 3 January, the Court produced an Interim Report which rejected the Commission's argument that it was prevented from improving its offer by its obligation to break-even, as 'undesirable... [and] unsound'.⁵⁸ The Court argued that 'having willed the end, the Nation must will the means'.⁵⁹ In other words, having nationalised the railways, the country must see that they paid fair wages. The "unsound" element of the Court's decision rested on the view that there was no legal bar to prevent the Commission incurring a deficit in any particular year.⁶⁰ This was true, but the Commission's argument was that it could not afford to meet the NUR claim without incurring a *permanent* deficit - an action which would breach its obligation to break-even taking one year with another.⁶¹ This was acknowledged in the Court's Final Report of 20 January, which stated that there was no statutory bar to a wage increase 'unless a situation has been reached where the imposition of further burdens of expenditure makes the ultimate achievement of the Commission's statutory duty over their chosen period of years an impossibility'.⁶²

55 PRO, CAB 128/27; Cabinet conclusions, CC(54)84(7), 8/12/54; CAB 129/72; Monckton and Boyd-Carpenter, 'British Transport Commission: Railway Wage Negotiations', C(54)382, 7/12/54.

56 Gourvish, British Railways, p.221.

57 Ibid., p.223; PRO, CAB 128/27; Cabinet conclusions, CC(54)92(3), 22/12/54.

58 Ministry of Labour (MoL), The Interim Report of a Court of Inquiry into a Dispute between the British Transport Commission and the National Union of Railwaymen (Cmnd. 9352), (London: HMSO, 1955), p.7.

59 Ibid., p.6.

60 Ibid.

61 Sir Reginald Wilson made this point in an unissued press release, produced on 6/1/55 (PRO, MT 115/14).

62 MoL, The Final Report of a Court of Inquiry into a Dispute between the British Transport Commission and the National Union of Railwaymen (Cmnd. 9372),

It was clear from the Final Report that this was exactly the position the Commission believed itself to be in. The Commission's negotiator, William Allen, told the Court that 'the finances of the Commission could hardly justify [the agreement of October 1954], but we hoped that by securing co-operation... to reduce waste and increase efficiency, the fear in that direction could be nullified'.⁶³ In an apparent contradiction of this slight optimism, he also claimed that increasing efficiency would *not* wipe out the deficit incurred by the October settlement, and the possibility of covering it through price rises was limited by the BTC's unwillingness to pass costs on to the public (an argument understandably dismissed by the Court) and the danger of pricing itself out of the market (an argument ignored by the Court).⁶⁴ The Final Report merely referred the reader to the Court's repudiation of the BTC's argument in its Interim Report - even though the two documents presented different interpretations of the BTC's view.⁶⁵ The Court implied that the Commission's moral duty to pay fair wages outweighed its legal obligation to break-even. What it failed to point out was that, as Michael Fraser, Director of the Conservative Research Department recognised, the dispute was largely a consequence of nationalisation. Under private ownership, railway workers were paid, and if the company subsequently made a profit, the shareholders would receive a dividend. Under nationalisation, the shareholders dividend, although limited, was guaranteed.⁶⁶ At this time, the railways were operating at a surplus, it was the burden of British Transport Stock which created the deficit that the BTC relied upon in pleading poverty to the Court of Inquiry. It is difficult to envisage a more perverse outcome of nationalisation by a Labour government, but the Transport Act, 1947 had ensured that the shareholders got paid before the workers.

On 5 January, Monckton informed his colleagues that the NUR were reluctant to resume negotiations without assurances that the offer would be improved, while the Commission refused to make such a concession until the strike threat was withdrawn.

(London: HMSO, 1955), p.19.

63 Ibid.

64 Ibid., pp.19-20.

65 Ibid., pp.20-21; MoL, Court of Inquiry: Interim Report, p.6.

66 Bodleian Library Conservative Archive, CRD 2/19/8; Fraser - Butler, 31/1/55. Powell, HoC, Official Report, 3/2/55, cols 1329-30, also made this point.

The Cabinet agreed that negotiations should not be resumed under threat of a strike, so the BTC would have to let the union know that, if they withdrew the strike threat, the offer would be substantially improved.⁶⁷ As Monckton's Parliamentary Secretary, Harold Watkinson, later informed the House of Commons, the Commission did not give way in the face of a threatened strike.⁶⁸ It was merely made clear that they would give way if the threat was removed. On 6 January Robertson promised the NUR that the Commission would improve its offer in line with the Court's findings. The NUR lifted its strike threat and returned to negotiations, which eventually gave the railway workers more or less what they had demanded in July 1953.⁶⁹ Sir Robert Hall, Chief Economic Adviser to the Government, commented in his diary that Ministers 'were quite prepared for [a strike] rather than a complete surrender. However, it is hard to say what the result represents except that it was not morally a surrender'.⁷⁰

Having willed the ends (avoiding a confrontation with the NUR), the Government was now obliged to find the means (publicly supporting the Commission and justifying its deficit). Ministers were anxious to avoid establishing the principle that nationalised industries had to pay fair wages even if they could not afford them. The Chancellor of the Exchequer, "Rab" Butler told the Cabinet that, with modernisation, the new charges scheme and improved productivity, the railways could be profitable.⁷¹ On 3 February the Government proposed a motion in the House of Commons welcoming the settlement of the dispute and indicating its belief that 'the steps proposed by the... Commission will lead to the establishment of a modern and economic railway system'.⁷² The steps in

67 PRO, CAB 128/28; Cabinet conclusion, CC(55)2, 6/1/55.

68 Watkinson, HoC, Official Report, 3/2/55, col.1312.

69 Gourvish, British Railways, pp.223-4; PRO, T 234/559, BTC: Financial Position and Prospects, part A; Robert Armstrong [Butler's private secretary], note for the record, 7/1/55, records Boyd-Carpenter as saying that the NUR Negotiating Committee had persuaded the Executive to resume negotiations because 'it was evident from the talks which the Negotiating Committee had had that, if talks were resumed something would be forthcoming for the railwaymen'.

70 Sir Alec Cairncross (Ed.), The Robert Hall Diaries 1954-61, (London: Unwin Hyman, 1991), p.26.

71 PRO, CAB 128/28; Cabinet conclusion, CC(55)1, 4/1/55.

72 Watkinson, HoC, Official Report, 3/2/55, col.1280.

question were increased productivity, adjustments to fares and charges, and, in the long term, modernisation.⁷³

Both settlements were criticised by some contemporary observers.⁷⁴ Anthony Seldon has argued that the 1953 settlement was a key factor in ending the previous readiness 'on both sides of industry... to compromise in the interests of industrial peace'.⁷⁵ Andrew Roberts has put forward a similar view, and has argued that the 1955 deal established the principle that nationalised industries 'could become a burden on the taxpayer'.⁷⁶ Why did the Government not take a stronger line and insist the Commission live within its means? It may be clear with the benefit of hindsight that the Government should have stood up to the NUR,⁷⁷ but it was not clear at the time that if it did so it would win, or that the game would be worth the candle. In a country where coal was still vital to industry and for domestic heating, and was distributed almost entirely by rail, a winter railway strike would have had genuinely dire consequences. At a Cabinet meeting on 14 December 1953, the Home Secretary reported the conclusions of the Official Cabinet Committee on Emergencies' discussion on what action would be required if the threatened rail strike could not be averted: a state of emergency would have to be declared, necessitating the recall of Parliament; Christmas leave in the army would have to be cancelled; and civilian volunteers recruited.⁷⁸ In December 1954 it was argued that a strike 'would make it impossible to get through the winter without a fuel crisis'⁷⁹ and that 'even a strike of short duration would cost the country more than would be involved in meeting the current wages claim'.⁸⁰

73 Ibid., Butler, col. 1302.

74 For example, The Economist, 19/12/53, cited in Pelling, Churchill's Peacetime Ministry, p.116; The Times, 7/1/55, *ibid.*, p.160.

75 Seldon, Churchill's Indian Summer, p.201.

76 Roberts, Eminent Churchillians, pp.270-1.

77 Williamson, A Most Diplomatic General, p.192.

78 PRO, CAB 128/26; Cabinet conclusions, CC(53)78(1), 14/12/53.

79 PRO, CAB 128/27; Cabinet conclusions, CC(54)85(1), 13/12/54.

80 *Ibid.*

The settlement must be seen in the context of Churchill's attitude to industrial relations generally, which may have been influenced by bad memories of the 1926 General Strike,⁸¹ and sympathy for the railwaymen.⁸² It was certainly designed to disprove Labour's warnings of the consequences of Conservative victory in 1951.⁸³ His refusal to contemplate a railway strike appears to have been a key factor.⁸⁴ Robertson was allegedly told by Churchill, when recruited as chairman, that 'the money doesn't matter. What matters is the chaps'.⁸⁵ At a Downing Street meeting on the morning of 10 December, the Prime Minister argued that, for political and economic reasons, a strike must be averted. The Commission:

ought to be ready to pay reasonable wages, even if this meant a deficit on their current operations.... he would himself be in favour of making it plain to the Chairman of the Commission that, in the Government's view, it was his duty to pay reasonable rates of wages and that, if he thought this was in conflict with his statutory duty to make the railways pay, the Minister would be ready to cover this point by a formal direction.⁸⁶

This proposal caused consternation. Ministers expressed serious concern about the effects on other nationalised industries, both of such an order and of any repeat of the previous winter's capitulation to the railwaymen.⁸⁷ Interestingly, given the events of 1952, the

81 Lord Butler, The Art of the Possible - The Memoirs of Lord Butler KG CH, (London: Hamish Hamilton, 1971), p.164.

82 Roberts, interview with Lord Aldington, 10/9/92, cited in Eminent Churchillians, p.271.

83 Monckton Papers, box 14, cited in Keith Middlemas, Power Competition and the State - Volume One: Britain in Search of Balance 1940-61, (London: Macmillan, 1986), p.257.

84 Sir Anthony Eden [Foreign Secretary], diary, 23/12/54 and 6/1/55, cited in Pelling, Churchill's Peacetime Ministry, p.159; Lord Woolton [Chancellor of the Duchy of Lancaster], diary, 13/12/54, cited in Seldon, Churchill's Indian Summer, p.200; Roberts, interview with Lord Aldington, 10/9/92, cited in Eminent Churchillians, p.271.

85 Interview with Sir Geoffrey Wardale, 24/4/98.

86 PRO, CAB 130/104, Ad hoc Committee on Industrial Disputes; Railways (GEN 480); only meeting, 10/12/54. Those present were, Churchill, Monckton, Boyd-Carpenter, Harold Macmillan [Minister of Defence], Sir James Stuart [Secretary of State for Scotland], Viscount Kilmuir [Lord Chancellor], Henry Brooke [Financial Secretary to the Treasury] and Cabinet Secretary, Sir Norman Brook.

87 Ibid.

issuing of a direction was later ruled out because Ministers doubted whether the Government could direct a nationalised industry to ignore its statutory obligations.⁸⁸

Roberts has argued that, by 1955, the Government could have changed tack on industrial relations and risked greater disharmony,⁸⁹ but Woolton's diary shows that this was not clear to Churchill at the time.⁹⁰ He was not alone. At the height of the crisis, the Financial Secretary, Henry Brooke, received a Treasury brief, which included this assessment of the public's view of the dispute:

the issue presents itself to the ordinary man and woman as whether or not the Government and the Transport Commission can find some way of paying railwaymen a rate of wage nearer to what are now socially accepted standards. In fact the issue is much more whether or not the railwaymen will cease obstructing those measures which would enable their wage to be economic as well as "fair" [by improving productivity]. But this has not been brought home.⁹¹

When Harold Watkinson left the Ministry of Labour later in 1955 he left a note warning his successor that 'for four years we have created much confidence and trust [with the unions], it is easy to forget how quickly all this can be swept away'.⁹² Like Ministers and officials, James Douglas of the Conservative Research Department believed that a strike would have been 'a major economic disaster' and that the Government, not the union, would be blamed.⁹³

How realistic was the Government's formula for railway solvency? As explained in Chapter One (p.54), the merchandise charges scheme was to a great extent a false hope. In February 1955, Butler specifically cited its immediate benefits in a letter to Enoch

88 PRO, CAB 128/27; Cabinet conclusions, CC(54)85(1), 13/12/54.

89 Roberts, Eminent Churchillians, p.74.

90 Lord Woolton, diary, 13/12/54, cited in Seldon, Churchill's Indian Summer, p.200.

91 PRO, T 234/559; S. Leslie [Head of Information Division, Treasury] - Louis Petch [Butler's Principle Private Secretary], 3/1/55, with manuscript note from Brittain directing it to the Financial Secretary.

92 Harold Watkinson, Turning Points - A Record of Our Times, (Salisbury: Michael Russell, 1986), pp.60.

93 Bodleian Library, Conservative Archive, CRD 2/19/8; Douglas - Michael Fraser [Director, CRD], 17/1/55.

Powell defending the Government's position.⁹⁴ A year later, Robertson was still unable to estimate the benefits of the scheme.⁹⁵ In August 1956, the Commission believed that, while it would eventually improve revenue, there would be an annual decrease in revenue of some £10 million in the first two years of its operation, as the new freedom would be used to lower some rates to compete with road transport, and traffic was already falling.⁹⁶ The Cabinet's faith in the long-term benefits of the scheme, like the Commission's, nevertheless remained intact.⁹⁷

By 3 February, the Cabinet had come to the opinion that, given the long-term nature of the Modernisation Plan, the question of productivity offered the best immediate approach to the financial implications of the pay settlement. On 4 January, the Cabinet discussed the need for more efficient use of manpower on the railways to balance both increased wages and the prospective capital investment,⁹⁸ and were concerned when the Court's Interim Report failed to deal with the issue.⁹⁹ Once the strike had been averted, the Cabinet resolved that 'now... it must be the Government's main aim to secure a more effective employment of the labour force on the railways'.¹⁰⁰ The desirability of 'some form of public inquiry' into productivity had been raised in Cabinet,¹⁰¹ and Macmillan had suggested to Boyd-Carpenter that the Government should appoint a small committee to look at modernisation.¹⁰² The Minister, although by no means convinced, thought

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- 94 PRO, T 234/560, BTC: Financial Position and Prospects, part B; Butler - Powell, 15/2/55.
- 95 PRO, MT 115/82, Estimates: Proposed White Paper on the BTC's Financial Future; summary of discussion between Harold Watkinson [Minister of Transport and Civil Aviation] and Sir Brian Robertson, 26/3/56.
- 96 PRO, T 234/561, BTC: Financial Position and Prospects, part C; BTC, 'Review of the Commission's Economic Situation - Supplementary Notes', 8/8/56, appendix E.
- 97 MTCA, Proposals for the Railways (Cmnd 9880), (London: HMSO, 1956), pp.3 and 15.
- 98 PRO, CAB 128/28; Cabinet conclusion, CC(55)1, 4/1/55.
- 99 PRO, CAB 128/28; Cabinet conclusion, CC(55)2, 6/1/55.
- 100 PRO, CAB 128/28; Cabinet conclusions, CC(55)3(4), 13/1/55.
- 101 PRO, CAB 128/28; Cabinet conclusion, CC(55)1, 4/1/55.
- 102 PRO, MT 124/46; anonymous note, 31/12/54; Boyd-Carpenter - Jenkins, 4/1/55.

that ‘there is something to be said for some sort of review from the point of view of public opinion and [the] modernisation scheme might provide a reason’,¹⁰³ and he put the idea to the Cabinet’s Economic Policy Committee (EPC).¹⁰⁴ The inquiry would consist of a production engineer, an accountant, a railwayman and a trade unionist; and would consider whether economies could be made ‘without, or as a result of, changes of policy’.¹⁰⁵ The Minister was unsure, however, whether to risk undermining the Commission by establishing the inquiry himself, or to risk worsening industrial relations by allowing the Commission to set it up.¹⁰⁶

The EPC hoped that the Court’s Final Report would provide an opportunity to establish an inquiry into the immediate problem of productivity.¹⁰⁷ Robertson had already accepted that ‘efficiency could be improved substantially even with existing equipment’.¹⁰⁸ However, within weeks of the strike being called-off, there were signs of a retreat from the inquiry idea. The Cabinet were told that Robertson would go along with the proposal but ‘was not anxious’ to do so;¹⁰⁹ and it was pointed out that ‘the question of efficiency in the short term was the responsibility of the Transport Commission’.¹¹⁰ Behind these comments was a memorandum from Robertson which argued that ‘the real issue’, was not efficiency on the railways but ‘how are future wages disputes to be regulated between a union which is willing and able to push its claims to the point of paralysing the country and a Commission which is not in a position to face

103 PRO, MT 124/46; Boyd-Carpenter - Jenkins, 4/1/55.

104 PRO, CAB 134/855, EPC (EA) Papers, 1955; Boyd-Carpenter ‘Railway Modernisation’, EA(55)8, 14/1/55.

105 Ibid.

106 Ibid.

107 CAB 134/854, EPC (EA) Minutes, 1955; third meeting, 18/1/55.

108 PRO, T 234/550, BTC: Modernisation Plans, including Reappraisals, part B; Robertson, ‘Proposed Enquiry into British Railways’. I have been unable to establish precisely when this memo reached the Ministry, but the comments added to a memorandum from Reep Lintern [MTCA under secretary] by George Stedman [MTCA deputy secretary] and Jenkins suggest that they were aware of Robertson’s views on 17 January (PRO, MT 124/46; Lintern - Stedman, 17/1/55).

109 PRO, CAB 128/28; Cabinet conclusions, CC(55)5(8), 20/1/55.

110 Ibid.

that situation?’¹¹¹ Robertson, who had told Boyd-Carpenter in December that if a settlement was to be made it would have to be on the Government’s responsibility,¹¹² defended the BTC’s argument that it could not afford to improve the wage offer, quoting a 1951 Court of Inquiry which had rejected wage claims for this reason, and argued that only gradual progress on productivity was possible (and that this was happening). Production engineers had met with a hostile shopfloor reception and some union-agreed productivity improvements had been undermined by unofficial action; an increase of pressure might, therefore, achieve nothing except a deterioration in industrial relations.¹¹³ He opposed any inquiry into management on the grounds that ‘it is not yet three months since Parliament approved a new organisation for the management of British Railways’,¹¹⁴ and repeated the Area Boards’ ‘fear that... a public inquiry... will provide an excuse for everybody to do nothing about everything’.¹¹⁵

Grant was not much more enthusiastic about the idea, warning that ‘any inquiry in the immediate future is likely to generate more heat than light’.¹¹⁶ Nevertheless, Boyd-Carpenter felt an inquiry was a ‘largely, though not... wholly political’¹¹⁷ necessity, and the Cabinet approved a compromise with Robertson’s view: an internal inquiry held in private and including outside members, limited to manpower, which Watkinson was to propose to the Commission and the unions.¹¹⁸ Neither took up the idea with enthusiasm, and they set up the British Railways Productivity Council ‘largely to forestall’ it.¹¹⁹ Although in March 1955 the Commission hoped to save £15 million

111 PRO, T 234/550; Robertson, ‘Proposed Enquiry into British Railways’.

112 PRO, T 234/559; Boyd-Carpenter - Churchill, 11/12/54.

113 PRO, T 234/550; Robertson, ‘Proposed Enquiry into British Railways’.

114 Ibid.

115 Ibid.

116 PRO, T 234/550; Grant - Sir James Crombie [Treasury third secretary], 21/1/55.

117 PRO, T 234/550; Boyd-Carpenter - Butler, 20/1/55.

118 Ibid.

119 Gourvish, British Railways, p.251.

that year through increased efficiency and closures,¹²⁰ by spring 1956 neither the Minister, now Watkinson, nor the assistant secretary responsible for railways, Alison Munro, expected any immediate benefits from improved productivity.¹²¹

Although the railways were overmanned, they had great difficulty in recruiting and retaining skilled workers, who could earn more in other industries.¹²² Robertson felt that overmanning was not a serious problem on the railways and was more concerned about problems of recruitment;¹²³ yet the process of reducing overmanning, and thereby releasing funds to raise wages to a level that would help solve the recruitment problem, was incredibly slow. In 1960, David St John Thomas wondered why a 'quiet terminus like Moretonhampstead',¹²⁴ closed the previous year, had required a staff of seven, and the London Midland region still refused to leave even the smallest halt unstaffed.¹²⁵ It was not until 1961 that a railway pay award was specifically linked to productivity.¹²⁶ Progress *was* made during the 1950s and the railway workforce was reduced by twenty per cent between 1953 and 1962.¹²⁷ However, this was 'a steady, if modest advance',¹²⁸ when a revolution was required. Productivity deals were struck but 'most

120 PRO, CAB 129/74; Boyd-Carpenter, 'BTC: Revenue and Charges', C(55)67, 9/3/55.

121 PRO, CAB 134/1229; EPC (EP) Minutes 1956; sixth meeting, 7/3/56; MT 115/3, Withdrawal of Unremunerative Services: Policy; Munro - Willis, 17/2/56.

122 Gourvish, British Railways, pp.214 and 252; Philip Bagwell, The Railwaymen: The History of the National Union of Railwaymen, (London: George Allen and Unwin, 1963) p.646.

123 PRO, T 234/550; Robertson, 'Proposed Enquiry into British Railways'; T 234/560; note of a meeting between Robertson and Butler, 2/12/55; MT 115/10, Industrial Relations and Productivity of the BTC; Robertson, memo, covered by Robertson - Watkinson, 17/1/56.

124 Thomas, West Country Railway History, p.263.

125 David St John Thomas, The Country Railway, (Newton Abbott: David and Charles, 1976 [Penguin Edition, 1979]), p.169.

126 Gourvish, British Railways, p.251.

127 Ibid., p.252.

128 Ibid., p.250.

of these... were cosmetic rather than realistic’,¹²⁹ and when productivity agreements were made at Executive level, they were not necessarily followed through on the shopfloor or shunting yard.¹³⁰ Events had fulfilled the fear, expressed within the Treasury in December 1954, that ‘the real danger, after the Court [of Inquiry] has reported will be that its... findings about wage increases will be implemented, while what it says about efficiency will not, except in words’.¹³¹

Although Butler told Parliament that, ‘allowing for all the uncertainties of forecasting fifteen years ahead, there is a reasonable prospect of the Commission’s plan paying its way’,¹³² he had opened his speech by welcoming the Modernisation Plan with a beautiful example of the politician’s backhand stroke: ‘I should like to pay the tribute of the Government to the courageous and imaginative conception of the plan for modernising the railways, the responsibility for which lies with the Transport Commission’.¹³³ Butler told the House that ‘it will be necessary for us to examine the plan in greater detail than we have had time to do and we shall have a number of questions to ask’.¹³⁴ However, the Modernisation Plan contained the following figures, predicting solvency on its completion:

Inherited deficit:	-25
Additional provision	
for depreciation	-15
Net revenue improvement:	
passenger services	35
freight services	60
Additional costs:	-10
Capital servicing:	-40
Balance:	5 (figures in £ millions). ¹³⁵

129 Ibid.

130 Ibid., pp.252-3.

131 PRO, T 234/559; Leslie - Petch, 3/1/55.

132 Butler, HoC, Official Report, 3/2/55, col. 1308.

133 Ibid., cols 1307-8.

134 Ibid., col. 1308.

135 Gourvish, British Railways, p.268; BTC, Modernisation Plan, pp.31-5.

Given the Government's reference to modernisation as part of its justification for the wage settlement, observers were entitled to assume some connection between that statement and the figures above. However, the sums did not justify Butler's comments, and officials had examined the Plan in the belief that they were not being asked to endorse these figures in detail.

At the Ministry, George Stedman, recently promoted to deputy secretary, had felt that there was no need for any Government decision on the Plan before publication. He observed that, while it might be embarrassing if the Government published the Plan and then failed to approve it all, this seemed unlikely, and there might be some advantage in assessing the reaction to publication before adopting the Plan.¹³⁶ On 29 December 1954, Boyd-Carpenter sent a copy of the Plan to Butler with a general endorsement, telling him he supported Robertson's wish to publish it soon.¹³⁷ The Chancellor and his officials were strongly opposed to this and wanted the plan examined within the Treasury and by the EPC.¹³⁸ However, Boyd-Carpenter was afraid that an agreed line on the plan would not be drawn up in time for the debate on the Borrowing Powers Bill, set for 25 January, if the Plan went to the EPC first.¹³⁹ The Treasury's line softened when it became clear that the Minister intended to give only a broad approval of the Plan,¹⁴⁰ and although Boyd-Carpenter discussed it with the Chancellor on 17 January and with the EPC the following day,¹⁴¹ the latter examination of the Plan's merits was preceded by a discussion on Parliamentary tactics, and the minutes give little indication that there was

136 PRO, MT 124/46; Stedman - Lintern, 31/12/54.

137 PRO, T 234/549, BTC Modernisation Plans, including Reappraisals, part A; Boyd-Carpenter - Butler, 29/12/54.

138 PRO, T 234/549; Ian Bancroft [Butler's private secretary] - Brittain, 7/1/55; Brittain - Bancroft, 8/1/55, with Butler's manuscript addition.

139 PRO, T 234/549; Bancroft - K. Couzens [Brooke's Private Secretary]/Brittain, 10/1/55.

140 PRO, T 234/549; Grant 'The Future of the Railways', 11/1/55; Crombie - Brittain, 12/1/55.

141 Ibid.; PRO, T 234/549; Bancroft - Brittain, 7/1/55, with additional comments by Butler; MT 124/46; Stephen Banister [Boyd-Carpenter's private secretary], note of telephone conversation between Boyd-Carpenter and Butler, 10/1/55.

any possibility of a delay pending a full investigation.¹⁴² Two days later the Cabinet approved publication.¹⁴³

The Commission did not require government approval of its investment plans in anything other than general terms,¹⁴⁴ although ‘the raising of the necessary finance is subject to the approval from time to time of the Chancellor’.¹⁴⁵ It was in this context that the Plan was considered by the Cabinet, aware that ‘even if the Government was to say that they were in favour of modernising the railways, there were many aspects... on which further information was necessary’.¹⁴⁶ Officially, the only approval the Cabinet gave to the Plan was that it could be published, and that it was on the right lines (even this was not a specific Cabinet conclusion).¹⁴⁷ The Plan did not receive the universal backing of the Cabinet.¹⁴⁸ The view that ‘the Government should proceed with caution in giving even general approval’¹⁴⁹ to the Plan was recorded in the minutes, while the Lord President, Lord Salisbury, the Foreign Secretary, Sir Anthony Eden, and the former Paymaster General, Lord Cherwell all expressed doubts about the wisdom of so large an investment in railways.¹⁵⁰ Against the doubters was ranged: the support of Butler and Boyd-Carpenter; the latter’s warning in his Cabinet paper (which concentrated on arrangements for handling the forthcoming debates) that parliamentary ‘advantage may

142 PRO, CAB 134/854; EA(55), third meeting, 18/1/55.

143 PRO, CAB 128/28; Cabinet conclusions, CC(55)5(8), 20/1/55.

144 PRO, CAB 129/73; Boyd-Carpenter, ‘British Railways’, C(55)13, 19/1/55; CAB 134/854; EA(55), third meeting, 18/1/55; CAB 128/28; Cabinet conclusions, CC(55)5(8), 20/1/55.

145 PRO, CAB 134/854; EA(55), third meeting, 18/1/55.

146 PRO, CAB 128/28; Cabinet conclusions, CC(55)5(8), 20/1/55.

147 Ibid.

148 Gourvish, British Railways, p.271.

149 PRO, CAB 128/28; Cabinet conclusions, CC(55)5(8), 20/1/55.

150 PRO, PREM 11/1663, Reorganisation of the Railways; Salisbury - Churchill, 9/1/55; Cherwell - Churchill, 14/1/55; Sir Anthony Rumbold [Eden’s Private Secretary] - Pitblado, 18/1/55.

be lost'¹⁵¹ by delaying general approval of the Plan; and the enthusiasm of Macmillan, who told Butler that 'this railway thing is really big stuff'.¹⁵²

Even in the short period between the Plan's arrival at the Treasury and the Cabinet's approval of its publication, officials had identified enough doubts to undermine the idea that the Plan could be relied upon to deliver the promised surplus. Grant pointed out that the Treasury had no idea of 'the extent to which what is said... reflects a good deal of background work, or whether it is derived from some general ideas',¹⁵³ and that 'any serious analysis... will have to wait until the Ministry of Transport people are in a position to talk to the railway people themselves'.¹⁵⁴ Officials understood that the Commission was unlikely to make a start on modernisation for about five years, as much planning remained to be done;¹⁵⁵ and, although they felt that it might be accelerated,¹⁵⁶ there was no way of assessing the Plan's short-term effects without more detail.¹⁵⁷ The day after the Cabinet approved publication, Grant concluded that 'if we accept that [the calculations in the Plan] are cautious... we can say that the B.T.C. have had a proper regard to the scale of things as they are happening now, and that there is a fair and reasonable chance of the Commission breaking even'.¹⁵⁸ The same paper, however, admitted that the Commission's figures 'are made to measure. The question is whether they have been brought down to achieve the result, or stretched. We have no check on this except for the fact that the individual proposals... look sensible'.¹⁵⁹

151 PRO, CAB 129/73; Boyd-Carpenter, 'British Railways', C(55)13, 19/1/55.

152 PRO, T 234/550; Macmillan - Butler, 21/1/55.

153 PRO, T 234/549; Grant - Brittain, 8/1/55.

154 Ibid.

155 PRO, T 234/549; Rae - Grant, 5/1/55.

156 PRO, T 234/549; Grant, note of meeting between MTCA and Treasury officials, 6/12/54; Grant, 'Report on Modernisation and Re-Equipment of British Railways', 14/1/55.

157 PRO, T 234/549; Grant - Brittain, 8/1/55, with Brittain's additions; Crombie's additions to Grant, 'The Future of the Railways', 11/1/55.

158 PRO, T 234/550; Grant, 'The Finance of the Railways', 21/1/55.

159 Ibid.

The Modernisation Plan's figures were, in fact, deeply flawed and it should have been returned to the BTC for explanation, as the economist Christopher Foster argued in his 1963 work The Transport Problem.¹⁶⁰ Grant had already spotted at least one of these flaws - a failure to distinguish between the financial improvement resulting from the withdrawal of unremunerative services and that achieved through investment.¹⁶¹ Butler told the Cabinet that only the £800 million to be borrowed need concern the Government, as it would be acquired under Treasury guarantee.¹⁶² However, there was no distinction in the Commission's plans between projects funded from internal or external funds; therefore the viability of the whole Plan needed to be assessed before the Cabinet could be sure that the Commission was spending the money it had borrowed well. The Cabinet's Economic Policy Committee interpreted the Commission's comment that £600 million would have to be spent on normal maintenance as leaving them a choice:

to allow the railway system to deteriorate,... to maintain it at approximately its present state of efficiency at a cost of about £600 million, or... to modernise it at a cost of about £1200 million with fair prospects of making it remunerative.¹⁶³

The EPC should not have accepted this stark choice, particularly as there had been some concern at the Treasury for over a year, at the fact that the Commission appeared to be borrowing £50 million a year just to maintain itself.¹⁶⁴ The most significant flaw in the calculations was the omission of interest charges on the investment during the period before the benefits of the spending emerged, which would have wiped out the £5 million surplus even if the rest of the calculations and predictions had been correct.¹⁶⁵

The Plan stated that an increase in annual net receipts of £25 million was required to 'put the railways in a healthy state and rectify the present inadequacy of net

160 Christopher Foster, The Transport Problem, (London: 1963, Blackie and Son), p.99.

161 Ibid., p.98; PRO, T 234/549; Grant - Brittain, 8/1/55.

162 PRO, CAB 129/73; Butler, 'Finances of the Railway Modernisation Plan', C(55)12, 19/1/55.

163 PRO, CAB 134/854; EA(55), third meeting, 18/1/55.

164 PRO, T 234/559; Leo Pliatzky [Treasury Principal] - Grant, 18/12/54; Grant, note, 2/1/54.

165 Gourvish, British Railways, p.269.

earnings’.¹⁶⁶ In the House of Commons debate on the railways on 3 February, Enoch Powell pointed out that this was now out of date as the wage settlement was expected to add £10 million to the £25 million which the BTC had told the Court of Inquiry that it expected to lose in 1955, before allowing for any further pay award.¹⁶⁷ In fact, Powell could have gone further, because the Plan referred to *railway* losses rather than BTC losses, and the Commission had told the Court of Inquiry that the railways would lose £30 million in 1955, before the pay award.¹⁶⁸ Nor had he over-estimated the cost of the wage increase; if anything, it was expected to be higher.¹⁶⁹ Powell’s criticisms were rebutted in a letter from Butler, prepared by the Treasury and the MTCA, which pointed out that the Commission ‘were not of course concerned to put their prospects in the rosiest light’¹⁷⁰ when submitting evidence to the Court of Inquiry. Butler argued that the increase in costs would be balanced by the short-term benefits of modernisation and productivity improvements, and the immediate effect of the freight charges scheme,¹⁷¹ concluding rather feebly: ‘this is a large field of speculation but it would be wrong to take an excessively gloomy view of the situation’.¹⁷² The Chancellor was certainly correct in stressing the difficulties of predicting the future performance of the BTC; a decrease (proportional to expenses) of less than one per cent in gross revenue would add £5 million to the annual deficit.¹⁷³ Whether the 1955 deficit (BTC: £30.6 million;

166 BTC, Modernisation Plan, pp.31-2.

167 Powell, HoC Official Report, cols 1328-9. The figure of £25 million was also included in the version of the Modernisation Plan sent to the Treasury on 29 December 1954, before the Court of Inquiry reported (PRO, T 234/549, BTC ‘Report on Modernisation and Re-Equipment of British Railways’, p.35, covered by Boyd-Carpenter - Butler 29/12/54)

168 MoL, Court of Inquiry: Final Report, p.15.

169 PRO, MT 47/405; Wild - Gingell, 11/2/55.

170 PRO, T 234/560; Butler - Powell, 15/2/55.

171 Ibid.; PRO, T 234/560; Grant - Wild, 8/2/55; Wild - Grant, 10/2/55; Grant - Crombie/Armstrong, 11/2/55.

172 PRO, T 234/560; Butler - Powell, 15/2/55.

173 I have extrapolated this from Grant’s observation that ‘the gross revenues of the BTC in 1953 are over £660 million (and are more now), so that a 3 per cent rise in revenues over and above expenses would wipe out a £20 million annual deficit (Less happily the converse is also true).’ (PRO, T 234/550; Grant, ‘The Finance

railways: £38.2 million, see appendix one) proves Powell's point is difficult to judge as it was affected by a charge increase (delayed by the Government), the cost of the 1955 ASLEF strike (£12.5 million), and a £9 million increase in the railways' coal bill.¹⁷⁴ There can be little doubt, however, that Butler took an excessively sunny view of the position, and one wonders whether he would have told an *opposition* MP that he believed the BTC had misled the Court of Inquiry.

Butler's dubious defence of his position also reflected the reality behind both the wage negotiations and the Government's formula for solvency, namely that the Commission would have to be subsidised. This was not, it must be emphasised, a decision; nor was there anything so dramatic as a conspiracy to deceive Parliament and the public. Instead despair, self-deceit and what Sir Gilmour Jenkins called Ministers' 'confused state on railway matters',¹⁷⁵ allowed the idea of a subsidy to worm its way into policy, through a series of short-term decisions. The reality was that the Government could not accept a subsidy because it believed that this would release the brake on pay claims, yet it had no reason to believe that the Commission would repay its accumulated deficit in the foreseeable future. Throughout Whitehall the word "subsidy" was whispered, often in code, but once the initial crisis had passed no serious attempt was made to formulate a solution. Robertson warned Boyd-Carpenter in January that the Commission would have difficulty in meeting the interest charges on modernisation while waiting for its investment to bear fruit, a warning which had been absent from the published Plan.¹⁷⁶ This does not appear to have been an oversight.

of the Railways', 21/1/55).

174 PRO, T 234/560; note of a meeting between Sir Brian Robertson and Butler, 5/12/55.

175 PRO, MT 124/31; Jenkins - Boyd-Carpenter, 15/1/55.

176 Gourvish, British Railways, p.269.

Churchill had considered transferring part of the BTC's capital liability to the Exchequer in 1952.¹⁷⁷ He revived the idea in December 1953. However, Butler rejected it as a subsidy.¹⁷⁸ In February 1954, Lennox-Boyd told the Cabinet:

it seems that without some radical new approach, only regular increases in fares and charges can keep [the BTC] solvent... it is arguable that the Commission's charges are near their practical limit, and as these increases are not only politically difficult but might prove economically impracticable, I think it will be necessary to do something to help them... [the BTC] cannot be made competitive without large-scale modernisation of their railway equipment. It will be beyond their strength to provide for this and bear the full interest charges involved before such new investments become remunerative.¹⁷⁹

The Minister believed that any economies from the reorganisation of the Commission, closures and 'generally bringing the whole organisation up to date'¹⁸⁰ were already mortgaged to meet future wage increases. Grant suspected that the Minister's paper might be 'the shadow of a thin end of a wedge',¹⁸¹ and although Butler agreed to consider Lennox-Boyd's request for help, he ruled out any subsidy on the grounds that 'it would destroy the incentive to secure all possible efficiency'.¹⁸² In December, Treasury officials argued that all Butler had had in mind was a Treasury guarantee of any borrowing that might be necessary.¹⁸³

The Treasury's aversion to paying a subsidy did nothing to reduce the pessimism of some MTCA officials. In October 1954, Reep Lintern, the under secretary responsible for railways, dismissed Robertson's assumption that the Commission's 'revenue account

177 PRO, PREM 11/287, Road and Rail Transport; Denationalisation of Transport; ; Churchill - Leathers, 30/5/52.

178 PRO, CAB 128/26; Cabinet conclusions, CC(53)79(1), 15/12/53; CAB 129/64; Butler, 'Railway Wages', C(53)362, 30/12/53;

179 PRO, CAB 129/65; Lennox-Boyd, 'BTC: Increase in Charges', C(54)40, 6/2/54.

180 Ibid., appendix one.

181 PRO, T 234/559; Grant - Sir Edward Bridges [Treasury Permanent Secretary], 8/2/54.

182 PRO, CAB 129/64; Butler, C(53)362, 20/12/53; CAB 128/27; Cabinet conclusions, CC(54)8(7), 10/2/54.

183 PRO, MT 47/405; Wild, note of MTCA/Treasury meeting on 6/12/54.

would remain in balance for the next five years',¹⁸⁴ as 'almost certainly not... reasonable'.¹⁸⁵ Lintern felt that:

we have come into an era in which the railways are going to be in the red for quite a long time, and perhaps for always. Modernisation, greater efficiency, and freedom in freight charges... should help in years to come, though not for some time, but I cannot myself see these as likely to bring in enough revenue to meet increased costs.¹⁸⁶

The Ministry's deputy secretary, Dennis Proctor, broadly endorsed this view,¹⁸⁷ and MTCA officials took a similar line when they discussed the Plan with the Treasury in December.¹⁸⁸ Lintern's gloomy prognosis rested on his belief that political considerations would increasingly prevent the BTC from raising charges for its most remunerative traffics, in particular coal, as 'the duty of the Commission to try to make ends meet might be in conflict with wider considerations'.¹⁸⁹

The Commission had asked MTCA Director of Finance, Ira Wild, about the possibility of Treasury help with modernisation in early summer 1954.¹⁹⁰ In September, Robertson told the Minister that one reason the Commission did not want the Borrowing Powers Bill to contain provision for the Modernisation Plan was that this might 'prejudice any arrangements for providing special facilities for the raising of capital'.¹⁹¹ Although Boyd-Carpenter wanted to resist the NUR pay claim in December, he asked officials to take up with the Treasury the possibility of deferring interest on modernisation spending.¹⁹² The Treasury objected as 'it would be difficult to maintain that a remission

184 PRO, MT 47/401, Transport (Borrowing Powers) Bill 1954-5: General Correspondence; Robertson - Boyd-Carpenter, 18/10/54.

185 PRO, MT 47/405; Lintern - Wild, 20/10/54.

186 PRO, MT 115/14, Review of Railway Wage Structure: Cameron Court of Inquiry, January 1955; Lintern - Proctor, 28/8/54; see also PRO, MT 47/405; Lintern - Wild, 20/10/54.

187 PRO, MT 115/14; Proctor - Jenkins, 28/8/54.

188 PRO, MT 47/405; Wild, note of MTCA/Treasury meeting on 6/12/54.

189 Ibid.

190 PRO, MT 124/46; Churchard - Proctor, 1/7/54.

191 PRO, T 234/559; Robertson - Boyd-Carpenter, 27/9/54.

192 PRO, MT 47/405; note of a meeting held in the Minister's room at the House of Commons, 1/12/54.

of interest was not a form of subsidy'.¹⁹³ In response, the MTCA pointed out that the financing of future deficits might prove embarrassing and the Commission might need assistance before the Plan got underway, because 'until modernisation [was] completed it seemed unlikely that other steps which might be taken to improve efficiency, coupled with whatever benefits a new charges scheme for freight might bring, would bridge the gap'.¹⁹⁴

On 8 December Grant warned his superiors that Boyd-Carpenter was likely to bring Robertson to the Treasury to ask for assistance with the financing of modernisation. He believed this would be a subsidy and had nothing to do with investment, but 'arises out of present conditions and... losses... Presumably, General Robertson feels that the occasion of a new programme is an easy way to get a concealed subsidy which would not attract any attention'.¹⁹⁵ When the Cabinet discussed railway wages on 8 December, it was suggested that the BTC might be prepared to accept a short-term operating deficit to fund a wage increase, if the Government assured the BTC of financial support for the Modernisation Plan.¹⁹⁶ Two days later, Boyd-Carpenter proposed that he tell Robertson this. His colleagues agreed that he should tell Robertson that the Government would like to see the Commission's offer raised and would accept an increased deficit if necessary. He would also mention the Government's willingness 'to consider sympathetically any claim which the Commission might make for financial assistance'¹⁹⁷ with modernisation.

Immediately before this meeting, the Financial Secretary, Henry Brooke, had been briefed by Treasury second secretary Sir Bernard Gilbert on a meeting between the latter and Sir Reginald Wilson the previous day. Gilbert asked Wilson whether there was a remedy for the Commission's position. Wilson, who claimed a subsidy would be 'disastrous',¹⁹⁸ said there was. This would include increased charges, branch line closures, the new merchandise charges scheme and 'greater co-operation with road

193 PRO, MT 47/405; Wild, note of MTCA/Treasury meeting on 6/12/54.

194 Ibid.

195 PRO, T 234/559; Grant - Crombie/Brittain/Sir Bernard Gilbert [Treasury second secretary], 8/12/54.

196 PRO, CAB 128/27; Cabinet conclusions, CC(54)84(7), 8/12/54.

197 PRO, CAB 130/104; GEN 480, only meeting, 10/12/54.

198 PRO, T 234/559; Gilbert - Bridges, 10/12/54.

transport... to diminish the present cut-throat competition... but... he pinned his faith mainly to the plan'.¹⁹⁹ Wilson, however, had a rather narrow definition of a subsidy; and:

thought there might be points in this programme when assistance might be suggested. They might be helped, for example, over the earlier years of the programme before the measures fructified. Or if the total amount by which they were in the red when the programme was beginning to show results appear to be more than was likely to be recovered for many years they might then be allowed to write off some of their capital just as a Company might... reconstruct itself.²⁰⁰

Gilbert felt that 'a subsidy on any such ground is of course entirely different from a revenue subsidy to meet a wage claim'.²⁰¹ This was true, but it was also entirely different from the faith which the Government subsequently expressed in the Commission's financial future.

According to his note of the meeting with Robertson, the Minister did not offer assistance with modernisation, but he did ask:

on a purely hypothetical basis what [Robertson's] reaction would be if Her Majesty's Government... were prepared to assure him that in their view he need not trouble himself unduly about the size of his deficit in view of the long term prospects of the Commission when railway modernisation took effect.²⁰²

Robertson replied that he would accept this assurance if it was stated publicly (otherwise he would require a formal direction); and added that the only difference between the two courses was presentational.²⁰³ This suggests that Robertson did not believe the Commission's future prospects justified a short-term deficit. By the time that Boyd-Carpenter reported this to the Cabinet on 13 December, Ministers believed that a strike before Christmas was unlikely, and were in no hurry to make a statement. They did, however, discuss what might be included were they to make one in future; it would have to avoid any suggestion of capitulation to the threat of a strike or paying a subsidy to the Commission, and would therefore have to 'make a convincing case for according special

199 Ibid.

200 Ibid.

201 Ibid.

202 PRO, T 234/559; Boyd-Carpenter - Churchill, 11/12/54.

203 Ibid.

treatment to the railways',²⁰⁴ on the grounds that the new charges scheme would soon be implemented, that the Government would give favourable consideration to the Modernisation Plan, and that the railwaymen had given assurances on productivity.²⁰⁵ At this stage, of course, the Ministry had yet to see the Plan.

The Treasury had resisted the idea of a disguised subsidy in December 1954,²⁰⁶ but this probably owed more to its aversion to a subsidy than to any belief that the railways could be made to pay.²⁰⁷ Sir Robert Hall's diaries suggest that senior Treasury officials believed that the railway deficit could be eradicated by the anticipated benefits of improved productivity, the new freight charges scheme and the Modernisation Plan.²⁰⁸ However, Sir Robert's memorandum on the subject to Sir Bernard Gilbert, in January 1955, allowed room for doubt:

nationalised industries... if they are not paying... should either put up their charges or shrink in size, or both together, until they do pay. If... it is thought that there are non-economic arguments for keeping them on a larger scale, then and only then should they be subsidised.²⁰⁹

At this stage it was 'far too early'²¹⁰ to say whether such a course would have to be followed in the railways' case, despite the £10 million which had just been added to their wage bill; but Sir Robert concluded that 'the Government ought... to say that they believe that the railways can pay fair wages and also pay their way, and will act on this belief until it is plain that it is wrong'.²¹¹ Grant's draft of the Chancellor's Cabinet paper on the finances of the Plan, put a similar view more baldly:

it may be said that [the BTC's] figures are optimistic and that solvency is too much to hope for... but... even if hopes are not realised in full, this is still the best

204 PRO, CAB 128/27; Cabinet conclusions, CC(55)85(1), 13/12/54.

205 Ibid.

206 PRO, MT 47/405; Wild, note of MTCA/Treasury meeting on 6/12/54; T 234/549; Grant, 'The New Railway Plan', 8/12/54.

207 Sir Leo Pliatzky remembers this as being generally true of the Treasury's view. Interview, 22/7/98.

208 Cairncross, (Ed.), The Robert Hall Diaries 1954-61, p.26.

209 PRO, T 234/549; Hall, 'Railway Wages etc', 11/1/55.

210 Ibid.

211 Ibid [original emphasis].

way to minimise losses... What is the alternative... can anyone contemplate that by continuing as we are now there is any prospect of solvency? I cannot see any alternative to the plan.... something on the lines proposed is inevitable, and... the longer a decision is postponed the greater the danger of an ultimate charge falling upon the Exchequer.²¹²

Although the Cabinet version of this paper reserved the Chancellor's opinion on the Plan, all of the above comments had been excised by Butler.²¹³

By this time Grant and his immediate superior, Sir James Crombie, had been asked by Brittain to think about what form assistance to the Commission might take if it were required. Brittain set out four possible courses: public borrowing under Treasury guarantee; a revenue subsidy from the Exchequer; a Government loan for investment at an uneconomic rate of interest; and allowing the BTC to fall back on the Treasury guarantee of its existing stock. Although the last option was a step towards Churchill's suggestion that the Government actually take on the stock burden, Brittain felt it was the least objectionable, because it would 'brand the BTC as the one body which had not met its obligations',²¹⁴ and no fresh legislation would be required, although Parliament would have to be notified whenever the guarantee was implemented.²¹⁵ The following day, Grant told Crombie and Brittain that he 'did not think it possible to get at the basis of any "subsidy"',²¹⁶ because there were too many uncertainties as to how much the Commission could improve its financial position through increases in productivity, the new charges scheme and the closing of branch lines, and 'it seems to be wrong in principle and disadvantageous in practice to give financial support before the extent to which it may be required (if required at all) can be seen clearly'.²¹⁷ Crombie advised that any consideration of a subsidy should wait until the BTC provided an estimate of the progress of its financial position over the next ten to fifteen years.

212 PRO, T 234/549; Grant, draft Cabinet paper, 'The Finances of the Railway Modernisation Plan', 18/1/55.

213 Ibid, with Butler's corrections; PRO, CAB 129/73; Butler, 'The Finances of the Railway Modernisation Plan', C(55)12, 19/1/55.

214 PRO, T 234/559; Brittain - Grant/Crombie; 10/1/55.

215 Ibid.

216 PRO, T 234/549; Grant, 'The Future of the Railways', 11/1/55.

217 Ibid.

This was reasonable enough, but the sort of information Grant and Crombie wanted should have been obtained before the Government intervened in the Commission's industrial relations or approved publication of the Modernisation Plan; and it is difficult to believe that the Treasury would have allowed publication had officials been given a reasonable amount of time to study it. Moreover, the Treasury had not obtained such information when it received an updated version of the Plan in 1956 (see Chapter Three, pp.113-8), and in the absence of urgent attempts to acquire it, the "wait and see" approach amounted to a policy of drifting towards a deficit, particularly given the fudge over what was and was not a subsidy. Any financial assistance with modernisation, other than a loan at commercial rates, was a subsidy, however it was dressed up. Either modernisation would earn enough to redeem all losses, or the Commission required a subsidy. Robertson and Wilson anticipated the latter, but preferred the euphemism of 'assistance'. Their attempts to obtain such assistance and the Government's desire to avoid a strike dovetailed neatly, as long as the strike threat stood. The fact that the formula for railway solvency was cooked up before anyone had seen the Plan and in the absence of any specific agreement on productivity, illustrates its cosmetic nature.

However, while the Plan itself did not justify the Government's position, the idea of funding higher wages through productivity improvements and modernisation made sense. Macmillan, a former director of the Great Western Railway,²¹⁸ who was asked for help by Monckton in December, certainly believed in it.²¹⁹ Nevertheless, he understood that Boyd-Carpenter's offer to Robertson 'was a hint that "subsidy" might be made respectable as "deficit"'.²²⁰ The problem was that in adopting a policy which could be made to work, Ministers failed to ensure that the BTC would make it work; just as the broadly sensible policies advocated in the Commission's Plan were not rigorously applied through the actual investment programme.

Why did this happen? The following chapter shows that in 1955 Whitehall was not capable of supervising the Plan, or even sure that it should; and Chapter Four argues that the extent to which road transport would limit the railways' future role was not appreciated by the Treasury until around 1960. Equally significant however, was the fact

218 Gourvish, British Railways, p.235.

219 Bodleian Library, Macmillan Diaries, C.16/1, 11/12/54.

220 Ibid., 13/12/54.

that once the crisis had passed, Ministers moved on to other things at a time when decisive leadership was required to draw up some kind of prospectus that would map the railways' route back to solvency. Gourvish sees the Cabinet's interest in productivity as 'a move of considerable significance in [the Government's] approach to nationalised railways. [The Cabinet] swung round to the view that a more efficient use of labour should be extracted from the railways';²²¹ but this is slightly overstating the case. When the crisis was over, the intensity of Cabinet interest in this issue diminished, despite the recognition that the previous winter's promise of union co-operation on improving productivity had proved worthless.²²²

Once the Government's handling of the debates of February 1955 had been arranged, the railways vanished from the Cabinet agenda until 16 March, when Boyd-Carpenter informed the Cabinet that since the start of 1954 the BTC's annual costs had risen by a total of £52.5 million. The Commission proposed to raise £27 million extra revenue by increasing various charges. Combined with a £15 million saving through economy measures this would reduce the annual deficit to £9 million.²²³ The Cabinet soon got bogged down in tactical concerns about fare increases,²²⁴ and although these increases were eventually approved, the Cabinet considered issuing a direction to the Commission preventing them and, despite the views of Treasury officials and the Minister of Transport, imposed a delay which cost the Commission £10 million.²²⁵ The 1955 settlement did not solve the problem of pay, let alone of productivity, it merely relieved the immediate symptoms. Watkinson later reflected that the Court of Inquiry's reference to fair wages 'was interpreted by the Unions [*sic*] to mean "pay what we demand"'.²²⁶

221 Gourvish, British Railways, p.224.

222 PRO, CAB 128/27; Cabinet conclusions, CC(54)85(1), 13/12/54; CC(54)86(4), 14/12/54.

223 PRO, CAB 129/74; Boyd-Carpenter, C(55)67, 9/3/55; CAB 128/28; Cabinet conclusions, CC(55)25(8), 16/3/55.

224 PRO, CAB 128/28; Cabinet conclusions, CC(55)25(8), 16/3/55; CC(55)26(4), 23/3/55.

225 PRO, CAB 128/28; Cabinet conclusions, CC(55)25(8), 16/3/55; CC(55)26(4), 23/3/55; CAB 128/29; CM(55)5(4), 22/4/55; CM(55)8(2), 29/4/55; CAB 129/74; Sir Reginald Manningham-Buller [Attorney General], 'BTC Charges', C(55)80, 22/3/55; T 234/560; Grant, brief on C(55)66 and C(55)67, 12/3/55.

226 Watkinson, Turning Points, p.95.

The following summer ASLEF tried to restore the differentials it had lost as a result of the January settlement. This time, the Cabinet's tougher approach ensured that ASLEF won only a pyrrhic victory, however, the Government had taken on the wrong adversary (not the NUR) on the wrong issue (differentials rather than pay in general).²²⁷

The Cabinet had a clear responsibility to take a lead in ensuring that its formula worked. Robertson did not feel that he could pay an increase and fulfil his obligation to break-even, and it was on the authority of a decision taken at an *ad hoc* Cabinet Committee meeting, chaired by the Prime Minister, that Boyd-Carpenter told him that he could.²²⁸ On 7 January, Robertson wrote to Boyd-Carpenter asking for his support if the Commission was accused of financial irresponsibility, 'unless and until the time is ripe for a major reconstruction of the Commission's accounts'.²²⁹ But, according to the record of his meeting with the Minister, he had not been promised that such a reconstruction would occur,²³⁰ and in the debate on 3 February Butler ruled out both a subsidy and an Exchequer loan for modernisation (this policy changed in the 1956 Budget, although there is no reason to believe that Butler expected it to in February 1955).²³¹ In retrospect, Robertson should have insisted on a direction, and was mistaken in his belief that the difference between this and Boyd-Carpenter's assurance was only presentational. By accepting this assurance he allowed the Transport Acts 1947 and 1953 to be by-passed, and although the Government clearly stated its belief that the Commission would pay its way eventually, Parliament was not told that it had imposed this belief on the BTC Chairman. Clearly Robertson was in a difficult position. He recognised that the national interest and the Commission's interest were not necessarily the same,²³² but he was a soldier not a businessman, and did as he was asked. Robertson's chairmanship of the Commission was to come under heavy, and essentially justified, criticism when the Commission finally went bankrupt, but all he really did was to take an extremely difficult position and turn it into an impossible one.

227 Gourvish, British Railways, pp.224-31.

228 PRO, CAB 130/104; GEN 480, only meeting, 10/12/54.

229 PRO, MT 124/46; Robertson - Boyd-Carpenter, 7/1/55.

230 PRO, T 234/559; Boyd-Carpenter - Churchill, 11/12/54.

231 Butler, HoC, Official Report, 3/2/55, cols 1308-9.

232 PRO, T 234/559; Boyd-Carpenter - Churchill, 11/12/54.

Clearly, Professor Gourvish is right to have concluded that the acceptance of the Plan reflected the Government's need to defend the pay award.²³³ However, although it is true that 'the Treasury was still feeling its way with... the nationalised industries',²³⁴ this was not a particularly significant factor in the decision to *publish* the Plan. Quite apart from the fact that the Commission had produced the Plan quickly at the Government's request, to have returned it for immediate reconsideration would have prevented the Government from using it to justify the pay award. Publication had effectively been approved before the Plan was finished. Indeed, at the meeting in December which sent Boyd-Carpenter to tell Robertson that modernisation could be used to justify an increased offer, Churchill himself expressed doubts that modernising the railways would make them profitable: 'the importance of the railways was shrinking with the development of more modern forms of transport, and it might well be found that they would have to play in future a smaller part in the national economy'.²³⁵

The Government's handling of the strike threat deserves criticism, not so much because it capitulated, but because it had done precisely the same thing a year before, yet appears to have learnt nothing from the experience. The key point about the settlement was that it undermined the BTC's obligation to pay its way. Given the Commission's conflicting terms of reference, the obligation to break-even was a vital instruction and, once it was effectively removed, the Commission was bereft of a guide in deciding at what point its obligation to provide a public service was outweighed by the cost of providing a specific service. The Government may have been right to intervene to avert a strike, but it was wrong both morally and strategically to do so without taking full responsibility for the consequences. The Government had negotiated its way through a crisis in avoiding a strike and presenting a formula to justify the settlement, but that feat merely represented the triumph of tactics over strategy. Had the Cabinet found a way of linking modernisation, pay and productivity in specific terms and with identified short-term goals, in the wake of a settlement which had focused public attention on the issue, it could have claimed that an opportunity had been grasped. Instead, the publication of the Modernisation Plan, which should have been the birth of a modern railway, merely

233 Gourvish, British Railways, pp.271-2.

234 Ibid., p.272.

235 PRO, CAB 130/104; GEN 480, only meeting, 10/12/54.

set the scene for the nadir of the Government's handling of railway finance the following year, which is discussed in the following chapter.

3: The Titfield Thunderbolt and Other Lost Causes

Don't you realise you're condemning our village to death? Open it up to buses and lorries and what's it going to be like in five years time? Our lanes will be concrete roads, our houses will have numbers instead of names. There'll be traffic lights and zebra crossings.

Squire Chesterford (John Gregson) defends his local railway in the 1952 film The Titfield Thunderbolt¹

[In 1956-7] the central point of Government policy [on wages was] the theme that if, by direct means (i.e. price control or subsidy or persuasion) prices could be kept stable the difficulties of the wage problem could be greatly reduced... In addition to damaging the nationalized industries, these attempts never succeeded in bringing about the desired results for wages.

Richard Clarke, Treasury third secretary, April 1962.²

[The British Transport Commission (BTC)] were under an obligation to pay their way, but no-one allowed them to run the business as if this was their object.

Lord Rusholme, Chairman, London Midland Area Board, British Railways and BTC representative on the Central Transport Consultative Committee (CTCC), 1957.³

Towards the end of 1955, Harold Watkinson, then Parliamentary Secretary at the Ministry of Labour, let the new Prime Minister, Sir Anthony Eden, know that 'I could no longer afford to go on living on a Parliamentary Secretary's salary. So for me in Government it was up or out'.⁴ From his sick-bed, Eden informed the Minister of Transport, John Boyd-Carpenter, that Sir Walter Monckton (who was moving from the Ministry of Labour to the Ministry of Defence) had insisted that Watkinson receive some reward; and Boyd-Carpenter's job was it.⁵ Watkinson's aim, which he discussed with Michael Fraser, Director of the Conservative Party's Research Department, was 'to turn the railways away from being just another nationalised industry and into an organisation that functions on

1 The Titfield Thunderbolt, (GB: Ealing, 1952) dir., Charles Crichton.

2 Public Record Office [PRO], T 267/7, Treasury Historical Memorandum Five; Clarke, foreword to A. Ogilvy-Webb [Treasury principal], 'Government and Wages 1945-60', 1962 [hereafter, PRO, T 267/7], pp.1-2.

3 PRO, MT 115/3, Withdrawal of Unremunerative Services: Policy; Lord Rusholme, CTCC meeting, 8/10/57.

4 Harold Watkinson, Turning Points - A Record of Our Times, (Salisbury: Michael Russell, 1986), pp.59-60.

5 John Boyd-Carpenter, Way of Life, (London: Sidgwick and Jackson, 1980), p.126.

normal and sensible business lines'.⁶ However, 'three years in charge of the Transport Ministry provided [him] with a useful corrective to any illusions that politics is about doing things a businesslike fashion',⁷ and he was to find the twin problems of pay and productivity no easier to solve now than he had at the Ministry of Labour. One former civil servant recalls walking with the Minister back and forth through the long wet grass of Watkinson's garden as they wrestled with the problems of a pay dispute. Eventually, his legs soaked, the Minister sat with his head in his hands and admitted he could find no solution.⁸

Watkinson's policy towards the BTC was characterised by attempts to force the Commission to absorb increases in costs through improved efficiency. The first half of this chapter discusses the progress of this policy in 1956, when it took the form of pressure on the Commission not to raise its charges, a policy which dovetailed with Government attempts to break the wage-price spiral on a wider front. As part of the arrangement under which the Commission limited its price increases in March, a six-month review of its financial position and prospects took place. Watkinson hoped to use the review to prise a closure programme from the BTC, but a last-minute change of policy by the Commission prevented this. Watkinson then found himself obliged to rush publication of the review, and to give Government support for the Commission's investment proposals and the accompanying reconstruction of BTC finances in a White Paper, Proposals for the Railways, in order to defend his original intervention over charges. Published in October 1956, this proved no more realistic than the Modernisation Plan, and, presented to Parliament on the back of a written answer,⁹ was in reality very much a defensive stroke. The second half of the chapter discusses the wages negotiations of 1958, which led to a long inquiry into railway pay; the financial collapse of the BTC later that year; and Watkinson's renewed efforts to increase the rate of closures. The collapse of 1958 led to another review of the Commission's prospects and paved the way

6 PRO, MT 115/10, Investment Programmes Committee: Chancellor's Review of Investment, 1956; Watkinson - Fraser, 31/1/56.

7 Watkinson, Turning Points, p.67.

8 Private information.

9 House of Commons [HoC], Official Report, 4/10/56, written answers, col. 36.

for the reforms discussed in the remaining chapters. The events of this chapter are primarily significant in providing the motivation for those reforms.

The first significant development during Watkinson's tenure was the pay settlement of January 1956. The Commission made an early and generous offer costing £30 million annually.¹⁰ This was done without the knowledge of the Ministry of Transport and Civil Aviation (MTCA) Permanent Secretary, Sir Gilmour Jenkins, or the Treasury.¹¹ Watkinson had supported the offer in the belief that the award would improve labour relations and lead to progress on improving productivity.¹² Eden approved of the policy.¹³ Although the new Chancellor of the Exchequer, Harold Macmillan, 'expressed considerable disquiet',¹⁴ to hear of the offer *via* the press, he had already suggested that the railwaymen should be paid 'a lot more... if they will let redundant labour go'.¹⁵ Watkinson was already considering the advantages of persuading the BTC not to increase its charges to cover the cost of the wage settlement, and offering Robertson support for closures in return.¹⁶

The following month Watkinson informed the Cabinet that the Commission proposed to make various increases in passenger charges, and a ten per cent increase in freight charges.¹⁷ The Cabinet called for further consideration of the proposals in the

10 PRO, CAB 128/30; Cabinet conclusions, CM(56)16(10), 22/2/56.

11 PRO, T 234/560, BTC: Financial Position and Prospects, part B; Sir Herbert Brittain [Treasury second secretary] - Sir Edward Bridges [Treasury Permanent Secretary], 30/1/56.

12 PRO, MT 115/10; Watkinson - Eden, 20/1/56; Watkinson - Fraser, 31/1/56.

13 PRO, MT 132/10, Investment Programmes Committee: Chancellor's Review of Investment in 1956; Neil Cairncross [Eden's private secretary] - O. Gingell [Watkinson's private secretary], 21/1/56.

14 PRO, T 234/560; Evan Maude [Macmillan's Principal Private Secretary] - Derek Mitchell [Bridges' Private Secretary], 20/1/56.

15 PRO, T 234/560; Alexander Grant [Treasury assistant secretary], 'Economic Policy Points - Transport', 4/1/56 [original emphasis].

16 PRO, MT 132/10; Stephen Banister [Watkinson's private secretary] - George Stedman [MTCA deputy secretary], 23/1/56.

17 PRO, CAB 128/30; Cabinet conclusions, CM(56)16(10), 22/2/56.

light of their potential knock-on effects on the economy.¹⁸ Watkinson then proposed restricting some increases and postponing others for six months, on the grounds that the maximum improvements in efficiency would never be achieved 'if the Commission and their staffs believe they can always pass on their steadily increasing costs'.¹⁹ Although the BTC would be left with a deficit 'for some considerable time to come',²⁰ this would act as a spur to efficiency.

Following discussions at two Cabinets and one Economic Policy Committee (EPC) meeting, it was decided to restrict freight charges to a five per cent increase and impose a moratorium on some passenger fare increases for six months, when the position would be reviewed; 'this would provide the Commission and the unions with a realistic goal in planning for improved efficiency'.²¹ Macmillan admitted that the decision would be a transgression of the Government's economic policy, but felt it would 'like the housemaid's baby still be quite a small one'.²² His officials disagreed. Grant, Brittain and Sir Robert Hall, Chief Economic Adviser to the Government, all argued for the BTC's proposals to be approved,²³ and when Edward Playfair, a Treasury third secretary, was told by Robertson that the next time the Commission was prevented from raising charges he would ask the Government to pay an equivalent subsidy, he told Grant that 'on hearing this suggestion I could scarce forbear to cheer'.²⁴

18 Ibid.

19 PRO, CAB 129/80; Watkinson, 'British Transport Commission', CP(56)53, 25/2/56.

20 Ibid.

21 PRO, CAB 128/30; Cabinet conclusions, CM(56)22(7), 13/3/56; CM(56)19(8), 6/3/56; CAB 129/80; Macmillan, 'British Transport Commission', CP(56)74, 10/3/56; CAB 134/1229, EPC (EP) Minutes, 1956-7; sixth meeting, 7/3/56.

22 PRO, CAB 129/80; Macmillan, CP(56)74, 10/3/56.

23 PRO, T 234/560; Grant, brief on CP(56)53, 27/2/56; Brittain's addition to this, 28/2/56; Hall, note on CP(56)53, 28/2/56; Grant, brief on EP(56)29, 7/3/56.

24 PRO, T 234/561, BTC: Financial Position and Prospects, part C; Playfair - Grant, 20/4/56.

Although Watkinson had warned the EPC that ‘it is... unrealistic to assume that the major deficits which [the BTC] face can be overcome within months or even years’,²⁵ the benefits of the new freight charges scheme were, once again, cited as a reason for optimism.²⁶ The key influence on the decision to limit the increases was the need to break out of the wage-price spiral, and not just on the railways - keeping railway charges stable would strengthen the Prime Minister’s arguments when he attempted to sell his policies to the British Employers’ Federation and the Trades Union Congress.²⁷ Macmillan felt the drawbacks were outweighed by the opportunity ‘to take advantage of what appeared to be the beginning of a new attitude of the railway unions towards their responsibilities’,²⁸ and was clear that only the increased incentive to efficiency could justify the decision. Although Watkinson touted the British Railways Productivity Council’s subsequent agreement on work study and general co-operation over productivity as evidence that his pay policy had achieved progress, there was, once again, no specific bargain.²⁹ The National Union of Railwaymen (NUR) and the Transport Salaried Staffs’ Association (TSSA) decided not to join the Associated Society of Locomotive Engineers and Firemen (ASLEF) in making a fresh claim in July, but the respite was short-lived. An NUR claim in October split the Railway Staff National Tribunal (RSNT, the chief arbitration body for railway pay), and when the matter was resolved by offering the NUR an extra two per cent linked to productivity in March 1957, the same increase went to the other unions, despite ASLEF’s refusal to co-operate on economies. Within months the whole process had begun again.³⁰ Watkinson told the House of Commons that there would be a fare increase in six months as the Commission would not be able to increase

25 PRO, CAB 134/1230, EPC (EP) Papers, 1956; Watkinson, ‘British Transport Commission’, EP(56)29, 6/3/56.

26 CAB 129/80; Macmillan, CP(56)74, 10/3/56. Nevertheless, by May Macmillan believed the railways were ‘hopelessly “in the red”’ (Bodleian Library, Macmillan Diaries [BL/MAC], D.26, 2/5/56).

27 PRO, CAB 128/30; Cabinet conclusions, CM(56)19(8), 6/3/56;

28 PRO, CAB 129/80; Macmillan, CP(56)74, 10/3/56.

29 PRO, T 234/560; Watkinson - Macmillan, 24/2/56.

30 Terence Gourvish, British Railways 1948-73 - A Business History, (Cambridge: Cambridge University Press, 1986), pp.231-3.

efficiency sufficiently to cover its deficit completely.³¹ However, before the six months were up, the Government, at Macmillan's instigation,³² attempted to create a wage and price plateau - but while Ministers could only exhort private sector employers and the trade unions to show restraint, they could impose (albeit through *discussion* with chairmen³³) such policies on the nationalised industries. A general price freeze was introduced in June, to last six months, affecting all the nationalised industries. The railways therefore made a 'double sacrifice'³⁴ as gas and coal prices had been raised just before the freeze, and the Commission was 'led down the path of ever increasing deficits'.³⁵ Macmillan admitted to his diary that 'of course it's economic nonsense - prices cannot be stabilised unless costs are. But it's a polite way (and the only way in which we as a Government can take a lead) of saying "no more wages this year"'.³⁶ Gourvish has recorded and concurred with the BTC's lament at these interventions,³⁷ which was echoed by the Treasury in the 1960s.³⁸ Watkinson claimed in Parliament that the second freeze was the Commission's own decision not the result of a Government request.³⁹ This is hard to reconcile with his clear request to the BTC Chairman the previous month not to make any general freight increase, Gourvish's account of Robertson's resistance⁴⁰ and Macmillan's account of a meeting between himself, "Rab"

31 Watkinson, HoC, Official Report, 19/3/56, cols 828-31.

32 PRO, T 267/7; p.27.

33 Ibid., p.22.

34 Gourvish, British Railways, p.186.

35 Ibid., p.186.

36 BL/MAC, D.26, 26/6/56.

37 Gourvish, British Railways, pp.185-6.

38 PRO, T 267/7; p.2; T 267/15, Treasury Historical Memorandum No. 11; Granger-Taylor, 'The Financial and Economic Obligations of the Nationalised Industries, White Paper of April 1961', May 1966, p.4.

39 Watkinson, HoC, Official Report, 18/7/56, col. 1189.

40 PRO, MT 115/82, Estimates: Proposed White Paper on British Transport Commission's Financial Future, part one; draft of Watkinson - Robertson covering subjects discussed at their meeting on 29/5/56; Watkinson - Robertson, 5/6/56; Gourvish, British Railways, p.186.

Butler (Lord Privy Seal), Eden, and Iain Macleod (Minister of Labour) and the chairmen of the nationalised boards on 26 May: 'we had a very useful and frank talk. The policy of price stabilisation for the immediate future is beginning to spread. Almost all the Nationalised Boards have adopted it'.⁴¹

Following the first price freeze, Watkinson relied primarily on the withdrawal of unremunerative services to balance the Commission's books in the short term. On 6 March, he told the Cabinet that he proposed to 'urge on the Commission the importance of achieving the greatest possible efficiency not merely by improved working arrangements but also by closing down unremunerative branch lines'.⁴² The previous day, MTCA Parliamentary Secretary, Hugh Molson, had sent Watkinson a series of minutes from MTCA officials responding to a suggestion Molson had made in January that, 'in view of the national economic crisis and the prospective [BTC] deficit of £40 millions',⁴³ large-scale closure proposals worth at least £1 million per annum should be prepared for publication simultaneously with the BTC's annual accounts, and that it might be possible to speed up the process by not sending the proposals to the Transport Users' Consultative Committees (TUCCs).⁴⁴ Robertson had already asked Watkinson for help in circumventing the consultative process.⁴⁵

Branch line closures were not a new idea in the 1950s; 240 miles of railway had closed completely between the wars, and a further 1,000 miles to passenger traffic.⁴⁶ In 1949 the Railway Executive, under pressure from the Commission, had established a committee to examine branch lines of dubious worth, but less than two per cent of the

41 BL/MAC; D.26, 26/6/56.

42 PRO, CAB 128/30; Cabinet conclusions; CM(56)19(8), 6/3/56. See also MT 132/10; Banister - Stedman, 23/1/56; Watkinson, HoC, Official Report, 19/3/56, col. 829; Ashridge Management College, Watkinson Papers [AMC/WP], Box 1, BTC Folder, Watkinson, 'Action to be Taken on Railway Efficiency ASAP', 21/3/56.

43 PRO, MT 115/3; Molson - John Willis [MTCA under secretary], 28/1/56.

44 Ibid.

45 AMC/WP, Box 1, BTC Folder, Watkinson, 'Action to be Taken on Railway Efficiency ASAP', 21/3/56.

46 David Henshaw, The Great Railway Conspiracy - The Fall and Rise of Britain's Railways Since the 1950s, (Hawes: Leading Edge, 1991), pp.31-2.

route mileage had closed by 1953, some of which was already derelict.⁴⁷ Despite such slow progress, passenger closures, and rural transport generally, were already contentious issues by the mid-1950s. As early as 1952, the Ealing film The Titfield Thunderbolt, showed a quintessential rural community, led by the squire and the vicar, successfully taking over their local line after it was closed.⁴⁸ As the extract quoted at the start of this chapter suggests, there was more to the issue than the loss of a local amenity, 'the country railway... was always part of the district it served'.⁴⁹ The following year, the Commission emerged somewhat battered with only a partial victory from a public inquiry into its proposals to close half the railways on the Isle of Wight.⁵⁰ There were three debates on rural transport in the 1955-6 Parliament;⁵¹ and in 1955 the Conservative MP for Leominster, Archer Baldwin, sponsored a Rural Transport Improvement Bill. This attempted to limit branch line closures by altering the consultative procedure and allowing for cheaper operation. It got as far as a second reading.⁵²

The Modernisation Plan had promised savings from closures as part of the £35 million improvement in passenger revenues.⁵³ Boyd-Carpenter later wrote that:

the broad understanding which I had with the Transport Commission was that the heavy expenditure [on modernisation]... must be partly balanced by the closing down of routes which could never in the age of the motor car earn their keep. This was the beginning of the process which Lord Beeching was later to carry through with such resolution.⁵⁴

In late 1955 the prospects of progress in closing branch lines seemed bright. Although the Commission had admitted in April that the closure procedure was 'under review to

47 Gourvish, British Railways, pp.118-9.

48 The Titfield Thunderbolt, (GB: Ealing, 1952) dir., Charles Crichton.

49 David St John Thomas, The Country Railway, (Newton Abbott: David and Charles, 1976 [Penguin Edition, 1970]), p.12.

50 Henshaw, Great Railway Conspiracy, pp.65-71.

51 PRO, MT 115/3; Society for the Reinvigoration of Unremunerative Branch Lines in the UK (SRUBLUK), letter to MPs, 10/11/56.

52 Henshaw, Great Railway Conspiracy, pp.88-95.

53 BTC, A Plan for the Modernisation and Re-equipment of British Railways, (London: BTC, 1955), p.33.

54 Boyd-Carpenter, Way of Life, pp.113-4.

see how unnecessary delays could be eliminated',⁵⁵ and referred to the possibility that diesel traction could make some lines profitable,⁵⁶ a BTC paper considered by the CTCC in October 1955 argued that there were relatively few rural services which, if modernised, would attract enough passengers to justify the investment and concluded that those who objected to closures were 'out of date [and] unrealistic'.⁵⁷ By December the BTC had produced a paper on 'The Re-design of Local and Stopping Railway Passenger Services' which anticipated the replacement of many such services by buses, although it was not ready to announce this publicly.⁵⁸

It was at this point that the Ministry began to take a real interest in achieving savings through closures.⁵⁹ Alison Munro, assistant secretary in charge of the Railways and Inland Waterways (RIW) division at the MTCA, strongly supported the idea of 'a drastic elimination of uneconomic services',⁶⁰ as suggested by Molson. She felt that modernisation and the freight charges scheme would bring only long-term benefits, while 'we are deluding ourselves if we look for the railways' interim salvation in such measures as increased productivity'.⁶¹ Munro argued that the annual savings of approximately £1.4 million from previous withdrawals represented only 'a minute fraction of the potential'.⁶² In support of this view she cited the Commission's traffic survey of October 1954 which found that 'some 35 million passenger train miles earned only one-

55 PRO, MT 47/405, British Railways: Modernisation Plans; note of meeting between MTCA and Treasury officials on BTC investment programme for 1955-7, 19/4/55.

56 Ibid.

57 PRO, MT 115/3; BTC, 'Light Units on Railways', CTCC minutes, 11/10/55, appendix three.

58 PRO, MT 115/3; BTC, 'The Re-design of Local and Stopping Railway Passenger Services', 15/12/55.

59 The MTCA file covering policy on the withdrawal of unremunerative services (PRO, MT 115/3) contains little of interest prior to late 1955.

60 PRO, MT 115/3; Munro - Willis, 17/2/56.

61 Ibid.

62 Ibid.

third or even less of the movement costs'.⁶³ However, she felt the Commission was unlikely to achieve the sort of saving Molson wanted, as it had no 'drastic or wholesale proposals'.⁶⁴

Both at the time and in retrospect Munro believed that the consultative procedure was responsible for the slow pace of progress on closures - 'hemmed in as they are by politics and by statutory machinery [the BTC] have despaired of ever making any dramatic progress'.⁶⁵ Munro advised that, as the Commission had undertaken not to bypass the consultative process 'some really startling and comprehensive statement of Commission policy',⁶⁶ was necessary to help the TUCCs, who were 'performing a thankless task amongst people who are often their colleagues or neighbours',⁶⁷ and agreed that the announcement of the Commission's deficit might be a good time for this. She went on to suggest a White Paper consisting of the Commission's argument for a programme of closures and a covering statement in support of this from the Government.⁶⁸ Molson then suggested to Watkinson that if the Minister were to tell the Commission to make up 25 per cent of its deficit through economies and reduce its coal consumption by half a million tons, then 'the burden would be carried on your broad shoulders... [because] clearly you would not give directions which prevented the BTC from effecting the economies you had told them to make'.⁶⁹ The implication being that the TUCCs would bear this in mind when considering a case, with the result that they would be quicker to recommend closure. Although he did not shoulder the burden in the way Molson had suggested, Watkinson told his colleague that he wanted the BTC to put together a package of closures: 'let us cut off all the heads at once in a White Paper if

63 Ibid. [original emphasis]. All stopping passenger services accounted for 84 million miles, and all passenger services 214 million.

64 Ibid.

65 Ibid.; and interview with Dame Alison Munro, 15/10/96.

66 PRO, MT 115/3; Munro - Willis, 17/2/56.

67 Ibid.

68 Ibid.

69 PRO, MT 115/3; Molson - Watkinson, 5/3/56.

necessary. This could run quite well if my plan for charges comes off'.⁷⁰ Following his announcement of the decision to restrict the increase in charges, Watkinson decided that 'we must have a White Paper. I don't take the view that under present circumstances we can just carry on as usual. I have no objection to drastic action'.⁷¹

Two factors conspired to frustrate the Minister's intentions. The first was that, as Gourvish has shown, the Commission reversed its views on branch lines in June 1956 when it concluded that the possibilities of achieving savings through a closure programme had been exaggerated and that greater efforts should be made to cut operating costs instead.⁷² This reflected the reluctance among regional railway managers to close lines and their sense that the railways should provide a public service.⁷³ This ethos was, of course, not challenged by the Commission's confused objectives under the 1953 Act. However, the consultative procedure also meant that closures often achieved savings which were small in relation both to the time and effort involved and to the Commission's finances as a whole.⁷⁴ It was unfortunate that the Ministry's efforts to increase the rate of closures coincided with probably the most controversial closure of the 1950s,⁷⁵ the 'sorry tale'⁷⁶ of the "Bluebell" line between East Grinstead and Lewes. In a real-life script that Ealing would have died for, one local resident discovered a legal obligation upon the railway to run services in perpetuity. The BTC was publicly humiliated and reopened the line with a service so desultory (it was not obliged to stop at the busiest station) as to further damage its public image.⁷⁷

70 PRO, MT 115/3; Watkinson - Molson, 6/3/56.

71 PRO, MT 115/3; Watkinson - Stedman, 23/3/56.

72 Gourvish, British Railways, p.207.

73 Ibid., pp.206-9.

74 Ibid.; PRO, MT 115/3; Munro - Willis, 17/2/56; CTCC minutes, 8/10/57, comment by Lord Rusholme.

75 Gourvish, British Railways, p.210.

76 PRO, MT 115/9, Withdrawal of Unremunerative Services: East Grinstead - Lewes, part two; Willis - J. Steele [Molson's Private Secretary], 2/5/56.

77 Gourvish, British Railways, p.210; PRO MT 115/3; SRUBLUK, letter to Mps, 10/11/56; PRO, MT 115/9; in particular South Eastern TUCC minutes, 20/5/57.

The second factor which frustrated Watkinson's plan was that his attempt to impose efficiency on the Commission put more pressure on him than Robertson, because he now had to come up with something to justify the moratorium. The Minister's announcement of the six-month moratorium, and in particular his reference to the BTC deficit as 'a marginal thing which the railwaymen can overcome if they work together',⁷⁸ was condemned in a Financial Times editorial as showing 'an extraordinary complacency'.⁷⁹ In early April, Watkinson received a memorandum from the Transport Tribunal which advised that, not only had the proposed increases been fully justified, but even if they had been approved 'the Commission had little prospect of securing a sufficient revenue to meet their costs, taking one year with another, and maintaining a general reserve'.⁸⁰ If charges were only raised to the approved extent, the memorandum continued, the Commission's deficit would increase at the rate of £650,000 a week. Moreover, Ernest Davis, Labour MP for Enfield East, had tabled a question asking on what authority had Watkinson requested the postponement? Therefore, the Tribunal's advice could not be kept secret.⁸¹ Watkinson sent the memorandum to the Treasury where Grant, one suspects with some satisfaction, advised that 'there is no alternative to accepting this verdict, uncomfortable as it may be for the Minister'.⁸² On 10 April, Watkinson took the problem to Cabinet, suggesting that a White Paper on the Commission's finances and efficiency be prepared for the end of the six-month moratorium.⁸³ The following day, he laid the Tribunal's memorandum before the House, stated that the Government had chosen not to take that advice and, although he made no reference to a White Paper, announced that, 'the Commission and I are together taking a major review of the [BTC's] financial and economic prospects... [which] will certainly have to include looking at all unremunerative services'.⁸⁴

78 Watkinson, HoC, Official Report, 19/3/56, col. 832.

79 PRO, T 234/561; cutting: Financial Times, 21/3/56.

80 PRO, CAB 128/30; Cabinet conclusions; CM(56)27(9), 10/4/56.

81 Ibid.

82 PRO, T 234/561; Grant - Brittain, 9/4/56.

83 PRO, CAB 128/30; Cabinet conclusions; CM(56)27(9), 10/4/56.

84 Watkinson, HoC, Official Report, 11/4/56, cols 185-6.

Watkinson was anticipating a debate on the BTC's 1955 accounts in June, during which he wanted to be able to announce a White Paper explaining why the BTC would be increasing its charges once the six-month moratorium was complete, and what it was doing to increase efficiency.⁸⁵ He asked officials for a critical examination of the latest BTC accounts, and wanted the Commission to provide an estimate of the effect of modernisation on their finances.⁸⁶ In late March, he told Robertson that 'the present climate was very favourable to making substantial progress with the elimination of unremunerative branch lines and services and it was therefore very important to produce a comprehensive programme of what could be done'.⁸⁷ Robertson claimed that the BTC would be able to make considerable closure proposals in a few months, although he added that contributory revenue would have to be taken into account.⁸⁸

Ministry officials must have been encouraged to receive, a few days later, a draft memorandum the BTC had drawn up for Area Boards to send to TUCCs. This revealed that 'a new survey of... passenger train services has shown that... the receipts earned by steam-hauled stopping passenger trains which call at all or most intermediate stations, fail as a group by tens of millions of pounds to cover even their direct costs'.⁸⁹ The document concluded with a warning that there would be 'a number of major proposals'⁹⁰ coming before the TUCCs soon and that the Commission hoped they would be dealt with as quickly as possible. In March, Watkinson met the TUCC chairmen to warn them that there would soon be more closures, and indicated he was hoping for a comprehensive scheme from the Commission.⁹¹ However, there was some disagreement at the Ministry

85 PRO, MT 115/82; summary of a meeting between the Minister and Sir Brian Robertson, 26/3/56.

86 PRO, MT 132/32, British Railways: Review of Financial and Economic Prospects; White Paper Proposals; Watkinson - Stedman, 23/3/56.

87 PRO, MT 115/82; summary of a meeting between the Minister and Sir Brian Robertson, 26/3/56.

88 Ibid.

89 PRO, MT 115/3; BTC, draft memo from Area Boards to TUCCs, 'Passenger Services', March 1956.

90 Ibid.

91 PRO, MT 115/3; Sir John Erskine [Chair of Scottish TUCC] - Watkinson, 4/4/56; Watkinson - Erskine, 11/4/56.

as to whether the programme of closures itself should be published. John Willis (who had replaced Reep Lintern as under secretary) and Munro had now concluded that to do so in the White Paper would compromise the Minister's position as arbiter of closure proposals, and 'stir up a hornet's nest of opposition all over the country'.⁹² Stedman, however, saw advantage in having 'one big row'⁹³ in which closures could be presented as part of a plan. A final decision on this point was left until the Commission's proposals had been received.⁹⁴

During April and May, MTCA officials drafted a working paper which Watkinson intended would give the Commission 'a framework within which they could present their proposals and to indicate to them the minimum sort of programme which I think they would have to produce if we were to convince public opinion that the Commission were on top of their problem and could pull through'.⁹⁵ The paper, sent to the Commission on 17 May,⁹⁶ set out six strategies used to tackle the problems of rail systems worldwide, including modernisation, productivity improvements, charging freedom, subsidy and the restriction of road transport (the paper ruled out the last two). The list was headed by 'the elimination of all services for which there is no longer any demonstrable public need or which can be more cheaply or efficiently performed by other means of transport'.⁹⁷ The paper set out what the Ministry expected the Commission to say on this subject:

this paragraph must be developed by the Commission to show that their reassessment of their prospects has embraced the fundamental question of the role of the railways in the country's transport system... The conclusion reached by this reassessment is that the railways will always, as far as can be foreseen, have an essential function to perform, but that they can only perform this function efficiently and economically if there is a radical change in the pattern of railway services and if the non-essential and unremunerative services are rapidly eliminated. Their function is radically different from that which they have

92 PRO, MT 115/3; Munro - Willis, 14/4/56; Willis - Stedman, 17/4/56.

93 PRO, MT 115/3; Stedman - Watkinson, 18/4/56.

94 Ibid.

95 PRO, CAB 130/116, Ad hoc Committee on Railway Policy (GEN 532); Watkinson, 'The British Transport Commission. Draft Outline Note', GEN 532/2, 20/6/56; MT 115/82; Munro - Willis, 7/5/56, 12/5/56, and 15/5/56; Willis - Jenkins, 7/5/56; Willis - Stedman, 12/5/56; various drafts of working paper.

96 PRO, MT 115/82; Watkinson - Robertson, 17/5/56.

97 PRO, CAB 130/116; Watkinson, GEN 532/2, 20/6/56.

performed in the past and is on a much narrower basis... The target for all railway policy planning must therefore be to adjust, as rapidly as circumstances permit, the railway system to this more limited but essential function and to eliminate the dying wood. This is the basic thinking underlying the... modernisation programme.⁹⁸

It went on to detail the need to transfer lightly used passenger services to road, and advocated the use of charging policy to eliminate freight services which could be provided more economically by road. It attempted to ensure that a definite target was set by asking for the final document to contain statistics showing the financial and traffic improvements expected; the mileage closed to passenger and/or freight traffic; the number of stations closed; and of passenger services to be discontinued, for 1956 and succeeding years. When Watkinson went to the Cabinet in June to ask permission to publish the White Paper he warned his colleagues that 'hard political decisions would have to be taken (e.g. the closing of uneconomic branch lines)'.⁹⁹

On 29 June the Commission submitted its draft of the working paper to the Ministry.¹⁰⁰ It reproduced the list of different methods for dealing with the railways' problems (without the two approaches ruled out in the Ministry's version); however, the elimination of unremunerative services had been relegated to second place and the list was headed by modernisation.¹⁰¹ The paper accepted that in the case of feeder passenger services (by which it meant rural stopping trains and branches), 'the role of the railway is less certain and it is here that the greatest changes will probably occur. The bus is often a cheaper method of handling these traffics, and quicker'.¹⁰² However, the document argued that as branch lines already existed, as new technology promised great economies, and allowing for the importance of such services in feeding traffic to main lines, 'on balance it seems probable that a considerable proportion of the rural railway services will be retained',¹⁰³ and 'for a long time ahead... the fundamental pattern of

98 Ibid.

99 PRO, CAB 128/30; Cabinet conclusions, CM(56)41(2), 12/6/56.

100 PRO, MT 115/82; Robertson - Watkinson, 29/6/56.

101 PRO, MT 115/82; BTC, 'Further draft for a note by the Minister of Transport and Civil Aviation' [hereafter - BTC paper], first draft, 29/6/56.

102 PRO, MT 115/83, Estimates: Proposed White Paper on British Transport Commission's Financial Future, part one; BTC Paper, draft of 16/7/56.

103 Ibid.

routes will change only slowly'.¹⁰⁴ Watkinson had anticipated that diesels might turn round the finances of some unremunerative services, but not to the extent now envisaged by the BTC.¹⁰⁵ Only days earlier he had warned the Cabinet Committee on Railway Policy, which had been set up to examine the proposal for a White Paper, that it would have to 'consider the extent to which it would be appropriate... for the Government to assume a responsibility for any rationalisation plans which the Commission might prepare'.¹⁰⁶

Robertson had told the Minister in late May that he believed the Ministry were attaching too much importance to the financial benefits of closures.¹⁰⁷ Watkinson had disagreed then,¹⁰⁸ and he was not satisfied with the comments he read in the BTC paper.¹⁰⁹ Concerned that it contained nothing which justified the six-month delay, he asked Stedman to take this up with the Commission.¹¹⁰ Stedman felt it would be difficult to achieve the impression that anything new had been produced, and told Munro that 'the only course which occurs to me is to take the line that although these things were in train, we have used the six months to evaluate them'.¹¹¹ Munro was asked to rewrite the entire section on closures. Her version argued that rural and feeder services were, as a class, unprofitable and that 'an integral part of any plan for refashioning the railway system to suit modern transport conditions must be the elimination... of those services which cannot be made economic'.¹¹² However, the Ministry was obliged to settle for: 'any plan for refashioning the railway system to suit modern transport conditions must first explore alternative methods of operation. Thereafter, those services

104 Ibid.

105 PRO, CAB 130/116; GEN 532, first meeting, 26/6/56.

106 Ibid.

107 PRO, MT 115/82; Watkinson - Robertson, 5/6/56.

108 Ibid.

109 For Examples, PRO, MT 115/83; BTC paper third draft, 18/7/56 pencil note in margin of para 3/9 on rural and feeder services: 'Minister says this won't do'.

110 PRO, MT 115/82; Watkinson - Stedman, 6/7/56.

111 PRO, MT 115/82; Stedman - Munro, 6/7/56.

112 PRO, MT 115/82; Munro - Willis, 18/7/56, enclosing draft Chapter Three for BTC paper.

which cannot possibly be made economic by modern rail methods and which can be better catered for by road transport must be eliminated'.¹¹³

While Munro was rewriting the Commission's paper, Molson expressed his disappointment at the Commission's limited closure proposals to the BTC's Financial Comptroller, Sir Reginald Wilson. Wilson wrote to the Parliamentary Secretary the next day to clear up what he saw as confusion at the Ministry over BTC statistics on rural services' economics - almost certainly the same figures which Munro had used in her memo on closure suggesting a White Paper.¹¹⁴ Wilson's argument was that it had been recognised for some time that branch line and stopping passenger trains were losing money and, in an attempt to produce figures which would draw attention to the problem, the BTC costings service had been obliged to, as Wilson put it, separate 'the cost of the "wool" from the cost of the "mutton"';¹¹⁵ in other words, to attach proportions of shared costs to individual services. For example, the cost of running a locomotive shed had to be divided between all the services which used that shed, even though the withdrawal of one service might not save the proportion of the cost which was attributed to it. The figures therefore were 'abstractions based on all kinds of apportionments which in real life could not take place'.¹¹⁶ Therefore a fundamental closure programme was not necessary; instead the costs of unremunerative services rather than the services themselves were to be attacked, primarily by replacing steam with diesel railcars, and here Wilson anticipated a saving of £20-25 million - a figure which helped Molson accept his argument.¹¹⁷

The Commission did promise an eventual annual saving from closures of £3 million (in addition to the, still unspecified, savings from closures in the Modernisation Plan), to be achieved over six years 'by which time the process will be more or less complete as far as the present pattern of things is concerned'.¹¹⁸ The White Paper claimed the Minister's support had accelerated the closure process to achieve this

113 BTC, Proposals for the Railways (Cmnd. 9880), (London: HMSO, 1956), p.14.

114 PRO, MT 115/3; Wilson - Molson, 18/7/56.

115 Ibid.

116 Ibid.

117 Ibid., PRO, MT 115/3; Molson - Wilson, 23/7/56.

118 PRO, MT 115/82; BTC paper, first draft, 29/6/56.

additional saving,¹¹⁹ and that 'the activities of the regions are not limited to the figures quoted and the whole subject is a matter of continual review and progress'.¹²⁰ But this was not the detailed programme Watkinson had hoped for, and the proposals were hopelessly inadequate. Not only did the White Paper contain no explanation of the role of closures in the overall financial effect of the updated plan, but lines which were clearly a waste of money to keep open were still operating well into the 1960s. For example, on the line between Torrington and Halwill Junction in Devon, which survived to be included in the Beeching Report: 'a single empty coach... passed through Hatherleigh each way twice daily, the driver, fireman, guard and signaller being amazed if a passenger was seen... the most serious of many level crossing accidents was between a full excursion bus and an empty train'.¹²¹ More significantly, the Commission had made virtually no progress on the elimination of duplicate services and facilities, which offered major savings,¹²² by rationalising express services between, for example, London and Manchester (three routes) or London and Exeter (two routes), and two routes between Bodmin and Wadebridge was obviously one too many.¹²³ Some 6,000 route miles were closed to passengers between 1957 and 1973, of which nearly 4,500 miles were closed in or after 1962.¹²⁴ A "radical" programme of closures in 1956 could still have left open half the lines closed by Beeching.

119 BTC, Proposals for the Railways, p.22.

120 Ibid., p.21.

121 Thomas, The Country Railway, pp.131-2.

122 For example, the closure of one of Manchester's several main-line stations, Exchange, in the 1960s was expected to save about half as much as the closure of the entire Edinburgh - Hawick - Carlisle route (Gourvish, British Railways, p.452).

123 Gerard Fiennes, I Tried to Run a Railway, (London: Ian Allan, 1967), pp.78-9 describes the beginning of the main line rationalisation process, which he sees as far more important than the branch line question.

124 These figures are extrapolated from Gourvish, British Railways, Table 24, p.204 (Source: BTC submission to Select Committee on Nationalised Industries, 16/3/60); Table 25, p.205 (Source: CTCC Annual Reports 1955-62); Table 53, p.439 (Sources: John Peyton [Minister for Transport Industries], HoC, Official Report, 1/3/73, written answers, cols 437-47, and BRB archive).

The Ministry could hardly press a challenge to the BTC's change of mind without implying a lack of faith in the Commission's ability to do its job. Moreover, had the Ministry insisted on a major rethink, the resultant delay would have left the Government at the mercy of critics of its intervention to restrict charges, the eventual outcome of which was a reconstruction of the Commission's finances under the Transport (Railway Finances) Act, 1957. This extended the Commission's borrowing powers, allowing it to capitalise interest on *railway* investment for 1956-65 (i.e. to borrow to pay the interest in the same way that it borrowed the capital in the first place), for three years after the initial borrowing. It also allowed the Minister to loan the BTC money to cover its *railway* deficits of 1956-62 inclusive up to a total of £250 million, and to cover interest on each of these advances during the first five years until the end of 1964. These sums, and the accumulated deficit to the end of 1955 were placed in a suspense account in the Commission's books, and its much-abused requirement to break-even did not apply to them.¹²⁵ The 1956 budget had given Ministers the power to advance money to the nationalised industries directly, thereby avoiding the need to issue Transport Stock. This change was inspired by the Bank of England which felt it would help it control the markets.¹²⁶ But it also encouraged the nationalised industries to see borrowing as 'something you turned a tap on and it came out'.¹²⁷

The financial reconstruction reflected the BTC's prediction that it would earn a surplus of £3 million in 1961 or 1962 and £48 million in 1970 on its operating account; or a deficit of £17 million and a surplus of £38 million respectively if interest payments on the accumulated deficit continued. This would result from improvements in the railways' annual revenue from increased productivity (£5 million in 1961 or 1962 and £10 million in 1970), pricing freedom (£20 million in 1961 or 1962 and £25 million in 1970) and closures (£3 million by 1961 or 1962) in addition to those deriving from the Modernisation Plan, with an additional contribution of £5 million from the Commission's

125 Transport (Railway Finances) Act, 1957; 5 and 6 Eliz. II, 9.

126 Gourvish, British Railways, pp.174-6; Reuben Kelf-Cohen, Twenty Years of Nationalisation: The British Experience, (London: Macmillan, 1969), pp.186; Sir Leo Pliatzky, Getting and Spending - Public Expenditure, Employment and Inflation; (Oxford: Basil Blackwell, revised edition, 1984), pp.23-4.

127 Interview with Sir Leo Pliatzky [Treasury principal in 1956], 22/7/98.

non-railway activities.¹²⁸ However, these figures were ‘little more than a dressing up of the hurried calculation’¹²⁹ contained in the Modernisation Plan, which ‘should not have convinced anyone that the Commission would achieve a net revenue surplus in 1970 let alone 1961 or 1962’.¹³⁰ The flaws in the Modernisation Plan’s calculations had not been rectified, and its benefits had been brought forward from 1974 to 1970.¹³¹

In view of such criticisms it is perhaps significant that the minutes of a meeting between MTCA and BTC representatives in May, chaired by the Minister, record that ‘there was no time for prolonged discussions if results were to be produced in time for the White Paper... it was important to show a progression of lessening deficits over a reasonable number of years until a balance was secured. Some five or six years at most should be the aim’.¹³² It would be going too far to suggest that the Ministry were encouraging the BTC to lie; however, the idea that Proposals for the Railways presented an honest financial reconstruction based on a sincere self-examination by the Commission can be dismissed. At a meeting with the Chancellor the previous December, Robertson had predicted a £40 million deficit for 1955, which could be reduced to £15 million in 1956, and to zero ‘in a year or two after that’.¹³³ However, at the same meeting, Robertson mentioned ‘indirectly and in passing, that it was his view that some of the *accumulated* deficits could never be paid off’.¹³⁴ At the end of May 1956, Stedman learnt from Sir Reginald Wilson that 1961 or 1962 was ‘the very earliest date at which the Commission can hope to break-even in the most favourable circumstances’,¹³⁵ and concluded that it was important to avoid giving the impression that 1961 or 1962 was ‘in

128 BTC, Proposals for the Railways, p.29.

129 Gourvish, British Railways, p.294.

130 Ibid., p.296.

131 Christopher Foster, The Transport Problem (London: 1963, Blackie and Son), p.102.

132 PRO, MT 132/32; note of meeting, 11/5/56.

133 PRO, T 234/560; Grant, note of meeting between the Chancellor and Sir Brian Robertson, 5/12/55.

134 Ibid [my emphasis].

135 PRO, MT 115/82; Stedman - Jenkins, 30/5/56.

any way a firm date',¹³⁶ in the Cabinet paper the Ministry were preparing. Within months of the 1957 Act being passed, the Commission undermined the credibility of the whole exercise by re-costing its modernisation programme, raising the £1,240 million cost of the original Modernisation Plan to £1,500 million to accommodate price rises, and adding £160 million for new projects.¹³⁷

Why did the Government, for the second time in two years, imply faith in a plan which it should have questioned? Briefly, the answer is that in the period since the Modernisation Plan was published, Whitehall had effectively made no progress in assessing it. The Commission's contribution to Proposals provided an opportunity which the Treasury was eager to take; but it was prevented from doing so by Watkinson's rush to produce something by the end of the six-month period. How could such a major programme not have been subjected to searching enquiry? As discussed in the previous chapter (p.78), the Plan was not expected to begin immediately it was published and so there was no great sense of urgency. Moreover, it was clear that the railways were in desperate need of investment and had yet to recover from the tremendous demands made on them, and lack of maintenance, during the war. As Dame Alison Munro explained:

I gave it [the Plan] that gigantic kick and I'm glad I did. If it had been nowadays it would have got bogged down by nitpickers, the statisticians would have got hold of it... we'd lived through the war and Churchill won the war because he thought big and I admire him for that reason... I know I've been criticised much since [for lack of economic analysis]... but people didn't approach things [that way then] the country was rebuilding... [the critics] don't realise the state the country was in, nothing had been spent on the transport infrastructure in the whole of the war.¹³⁸

Moreover, the Treasury was inexperienced in the consideration of long-term plans. The major investment programmes of the mid-1950s, including the Modernisation Plan, were embarked upon at a time when investment control was exercised through 'the annual budgetary system coupled with day-to-day case work',¹³⁹ which was in the process of adapting to the change from shortage and restriction to expansion. This inexperience was reflected both in the tentative approach of officials towards supervising the Commission's investment, and the lack of an effective organisational structure for doing so.

136 Ibid.

137 Gourvish, British Railways, p.296.

138 Interview with Dame Alison Munro, 15/10/96.

139 Pliatzky, Getting and Spending, p.29.

Three Treasury divisions had an interest in the Plan:¹⁴⁰ Trade and Industry (TI), where Grant was assistant secretary; Home Finance, which ‘never had anything to say’ about the railways;¹⁴¹ and the Central Economic Planning Staff (CEPS). Following the departure of the Chief Planning Officer, Sir Edwin Plowden in 1953, the CEPS had become ‘marginalised and subject to dismissive criticism from within Whitehall’,¹⁴² and entered something of a state of flux in 1955, following the departure of its effective head, third secretary William Strath.¹⁴³ It was not the Treasury’s job to control the BTC,¹⁴⁴ and their relationship was dependent on the Ministry, and in particular its Finance Division; for example, Leo Pliatzky, one of two Principals working under Grant, had no contact with the RIW division at the Ministry, let alone with the Commission.¹⁴⁵

The first discussion of the BTC’s investment after the publication of the Modernisation Plan took place in April 1955. The newness of the process can be gauged by the fact that the MTCA asked the Treasury to set out the lines on which it wished to discuss the programme in a letter to the Director of Finance, Ira Wild, who then explained the procedure to Willis and Munro:

the discussion with the Treasury takes the place of the control formerly exercised over investment by the Investment Programmes Committee when the emphasis was on restriction because of the need to conserve scarce resources... control of private investment has been abandoned and in the nationalised industries the emphasis has changed to an examination of the soundness of the investment proposals, particularly from the revenue-earning point of view.¹⁴⁶

Grant hoped to use this meeting to discover more about the relationship between existing investment proposals and the long-term Plan, and to see if the Plan could be

140 Interview with Sir Leo Pliatzky, 22/7/98.

141 Ibid.

142 Peter Hennessy, Whitehall, (London: Secker and Warburg, 1989 [Fontana edition, 1990]), p.154.

143 Anthony Seldon, Churchill’s Indian Summer - The Conservative Government 1951-55, (London: Hodder and Stoughton, 1981), p.163.

144 Interview with Sir Leo Pliatzky, 22/7/98.

145 Ibid.

146 PRO, MT 47/405; Wild - Willis, 13/4/55.

accelerated.¹⁴⁷ The Commission explained that the dividing line between the Plan and the existing investment programme was an arbitrary one based on whether work had begun or not. The phrase in the introduction to the Plan: 'behind this brief presentation... there lies a mass of detailed study'¹⁴⁸ actually meant that 'each chapter of the Plan embodied the work of a committee of specialists who had been asked to draw up a programme of what could be achieved in their respective spheres over a period of twenty years. Their work had been embodied in general, not detailed year by year programmes,'¹⁴⁹ which were now being worked out by sixteen 'specialised teams which were expected to take a year to work out firm forecasts'.¹⁵⁰

Alex Jarratt, a Treasury principal, was struck by 'the lack of planning underlying the "Plan";... [which] appears to have been little more than a statement of broad objectives; the planning proper is only just starting'.¹⁵¹ CEPS officials had already suggested that 'some sort of working party should be set up comprising representatives of the Treasury, Ministry of Transport and the Commission to examine the economic justification of the most important proposals... and perhaps suggest the broad priorities to be followed',¹⁵² but nothing came of this.¹⁵³ Jarratt now complained that:

a discussion of 1½ hours every year on each of the industries' investment programmes is little enough, but it is particularly unsuited to considering a fifteen year plan which will cost £1,200 million... the discussion was too short, and lacking in critical appraisal for the Treasury, in its role as "bankers" to the Commission, either to obtain a clear idea of the shape of and return from the Plan or to impress upon the Commission the urgency which attaches to it.¹⁵⁴

147 PRO, MT 47/405; Grant - Wild, 6/4/55.

148 BTC, Modernisation Plan, p.5.

149 PRO, MT 47/405; note of meeting between the Treasury, BTC and MoT, 19/4/55.

150 Ibid.

151 PRO, T 234/43, Treasury Investment Committee: Examination of BTC, including Railway Programme, part one; Jarratt - Dorothy Johnstone [Treasury assistant secretary], 21/4/55.

152 PRO, T 234/43; Jarratt - Johnstone, 21/4/55.

153 Ibid.

154 Ibid.

He concluded that the Treasury should 'devise some arrangement whereby we can follow up, and take part in, the more detailed preparation of the Plan which is now underway'.¹⁵⁵ This suggestion was not taken up, at least partly because it would have required a philosophical change as much as an organisational one.

Jarratt's dissatisfaction with the meeting was shared by his superior, assistant secretary Dorothy Johnstone.¹⁵⁶ Nevertheless, she and under secretary Frank Turnbull felt there was little the Treasury could do until the winter's investment review, because:

at present... investment demand as a whole is neither obviously too great nor obviously too small in relation to resources. In these circumstances... it is difficult for the Treasury to take a very strong line about a particular nationalised industry. The case for doing so would rest on the assumption that the industry was not measuring up to its job.¹⁵⁷

This would have been a very difficult step for officials to take. For example, Grant, Pliatzky, and the other TI principal, J. D. Rae, were intelligent laymen in the classic style, none had business experience. Pliatzky had been at an establishment division for three years until joining TI in 1953. 'Who was I' he recalls, 'to challenge [the railways'] plans'?¹⁵⁸

The Ministry faced a similar problem. Although Wild was unhappy at the Commission's apparent desire 'to avoid any suggestion of submitting themselves to any detailed ministerial supervision of the plan',¹⁵⁹ he, like Grant, felt the need to proceed carefully given the Commission's 'sensitiveness' on the question of Treasury control.¹⁶⁰ Before the Plan was published, Grant had realised that the Ministry did not intend to discuss it with the BTC until it became necessary to make commitments: 'in general the Ministry's feeling was that it was for the... Commission to make plans and not for them to take too active an interest... they have no immediate intention of cross-examining the...

155 Ibid.

156 PRO, T 234/43; Johnstone - Turnbull, 21/4/55.

157 PRO, T 234/43; Turnbull - Johnstone, 28/4/55.

158 Interview with Sir Leo Pliatzky, 22/7/98.

159 PRO, MT 47/405; Willis - Wild/Munro, 31/3/55.

160 PRO, MT 47/405; Wild - Willis, 13/4/55; Grant - Wild, 6/4/55.

Commission on their plan'.¹⁶¹ At the end of 1955, when the BTC's submission to the annual process of investment control was both late and lacking in detail, Grant complained that 'we are led to infer that the BTC are not prepared to work the normal investment programme exercise',¹⁶² and objected to the Ministry's excessive willingness to accede to the Commission's demands for a free hand. Nevertheless, he felt 'strongly that it is for the Ministry... to have the first go at these programmes',¹⁶³ and that there was no point in the Treasury meeting the BTC unless the Ministry 'do their share'.¹⁶⁴ Despite the Treasury's dissatisfaction with this late submission, exactly the same problem occurred the following year. This was not necessarily the result of obstruction on the part of the Commission, however; in the latter case it complained that it was unable to meet the Treasury's deadline because it had to wait for the regions to produce their estimates, which then had to be made into a whole by the Commission.¹⁶⁵

Neither the economics of individual proposals, nor their relationship to the modernisation process as a whole were apparent when the Treasury examined the BTC's estimates for 1956-57. For example, building sidings and a connecting line between two existing routes at Honeybourne would allow longer goods trains to be formed and save 7.75 miles on their route, 'with consequent economies in engine miles, locomotives and trainmen';¹⁶⁶ but no indication was given as to the effect of this in terms of man-hours, engine-hours or engine numbers; let alone how much traffic was involved or whether it was likely to remain on the railways. There was no indication of how this fitted into the overall scheme; for example, how dieselisation might affect the calculation. In the absence of such information, it goes without saying that there was no indication of a rate

161 PRO, T 234/549, BTC: Modernisation Plans, including Reappraisals, part A; Grant, 'The Future of the Railways', 11/1/55.

162 PRO T 234/43; Grant - Gilbert, 7/12/55.

163 PRO, T 234/43; Grant - Johnstone, 23/1/56.

164 Ibid.

165 PRO, T 234/553, BTC: Modernisation Plans, including Reappraisals, part E; minutes of meeting at the Treasury, 31/8/56.

166 PRO, T 234/550, BTC: Modernisation Plans, including Reappraisals, part B; 'BR Modernisation and Re-Equipment Plan; Appendix A, Expenditure 1956-7 on Selected works over £100,000'. I have been unable to date this document which appears, from its place in the file, to have arrived at the Treasury in June 1955.

of return.¹⁶⁷ Similarly, Grant was unable to come to a firm judgement on the Commission's proposals for brakes and automatic couplings because he did not know what the assumptions behind the figures were.¹⁶⁸

By February 1956, when the Treasury insisted on a twelve per cent cut in the railways' 1956 investment programme, as part of an attempt to reduce inflationary pressure,¹⁶⁹ MTCA officials were concerned at the slow progress on the major policy side of the plan, and feared that 'the organisation [of the modernisation committee and sub-committees] has become an end in itself and... progress is being held up by the difficulties of co-ordination and a tendency to theorise as a means of deferring difficult decisions'.¹⁷⁰ Watkinson was concerned that 'the priorities [of the Plan] were not quite right and that we might get better value in terms of safety and efficiency if we reconsidered them'.¹⁷¹ He told officials that he wanted a two-phase policy for investment: only capital works 'bearing on immediate safety and efficiency'¹⁷² should be undertaken in 1956, while long-term plans 'with road and rail properly integrated... [should be] brought to the pre-planned stage and implemented as finances allow'.¹⁷³ By April, little appears to have changed, however; Grant minuted that 'we should certainly welcome anything which gives us a real picture of how the railways propose to operate the Modernisation Plan; at the moment the picture is made up of rather disjointed pieces of publicity'.¹⁷⁴

167 Ibid.

168 PRO, MT 47/405; Grant - Willis, 6/4/56.

169 PRO, CAB 128/30; Cabinet conclusions, CC(56)6(2), 24/1/56; CC(56)11(1), 10/2/56; CAB 129/79; Macmillan, 'The Economic Situation', CP(56)17, 21/1/56; Macmillan, 'Economic Situation', CP(56)32, 9/2/56; Gourvish, British Railways, p.284

170 PRO, MT 47/405; MTCA, brief for Minister on BTC forecast of work in 1956-7, covered by Munro - Stedman, 17/1/56.

171 PRO, MT 132/10; Watkinson - Robertson, 24/1/56.

172 PRO, MT 47/405; Willis - Major-General Llewellyn Wansborough-Jones [BTC Secretary General], 27/2/56.

173 PRO, MT 132/10; Banister - Jenkins, 23/1/56.

174 PRO, T 234/561; Grant, 'Sir Brian Robertson's Visit', 30/4/56.

When the Treasury received the Commission's draft contribution to the White Paper, it was the first real opportunity for officials to get to grips with the BTC's investment programme. Grant was 'agreeably surprised by the impression it creates since it provides material for an interesting story'.¹⁷⁵ Nevertheless, he doubted whether the Commission's investment spending could be accelerated to the extent envisaged, or that the economy could accommodate it.¹⁷⁶ He also felt that the financial reconstruction should be reported on by 'a chartered accountant of the highest standing',¹⁷⁷ and repeated complaints about the obscure nature of railway accounting which he had made in relation to the Modernisation Plan.¹⁷⁸ Faced with the BTC's projection of its deficits to 1961, Grant found it 'difficult to form a judgement, ... any commercial lender faced with such a position would call for some examination by accountants'.¹⁷⁹ He advised that Ministers should refuse legislation or financial assistance without some kind of independent investigation of the proposals.¹⁸⁰ Brittain agreed that the financial restructuring should wait until there had been careful vetting of the modernisation proposals and that this could not be rushed.¹⁸¹ Their advice was outweighed, however, by the Government's need to defend its position.

Following the pay crisis of December 1954 - January 1955, the Commission had pursued its attempts to get some financial assistance from the Government. In March 1955, when Boyd-Carpenter asked Robertson to delay the announcement of passenger fare increases until a moment more suitable to the Government, the BTC Chairman became 'difficult',¹⁸² and, although he eventually went so far as to ask the Transport Tribunal

175 PRO, T 234/551; Grant, 'BTC Finances', 13/7/56.

176 Ibid.

177 PRO, T 234/551; Grant, 'BTC', 11/7/56.

178 Ibid.; PRO, T 234/549; Grant, 'The Future of the Railways', 11/1/55.

179 PRO, T 234/551; Grant, note, 19/7/56.

180 PRO, T 234/551; Grant, brief on GEN 532/4, 20/7/56.

181 PRO, T 234/551; Grant, 'BTC Finances', 13/7/56; Brittain, note, 13/7/56.

182 PRO, T 234/560; Ian Bancroft [Butler's private secretary] - Grant, 24/3/55; Grant - Bancroft, 26/3/55; Bancroft - Brittain, 29/3/55.

to postpone its decision on some fares (because an announcement of increases would have to be made once the decision was taken¹⁸³), he had to be promised a meeting with the Chancellor to discuss the Commission's finances.¹⁸⁴ In April, he told Boyd-Carpenter that the Commission was unlikely to be able to cover interest payments on modernisation during the period of initial investment, without incurring a substantial deficit, which would damage morale.¹⁸⁵ Robertson suggested three solutions to this problem, the first two (deferred interest borrowing, and Treasury payment of interest on borrowing) were, as he anticipated, not acceptable to the Ministry.¹⁸⁶ The third option was the capitalisation of interest 'preferably by the creation of a separate suspense account (for later amortisation if so decided)'.¹⁸⁷ In other words, interest on borrowing would not be paid but treated as further borrowing.

This was passed to the Treasury,¹⁸⁸ where Grant insisted that the proposed measures should only cover borrowing for 'genuine new revenue-earning investment... after more details of the... plan are available [and] we have a much clearer picture of the railways financial position'.¹⁸⁹ He recommended procrastination until 'the plan has got going and things are happening... but that is looking a long way ahead'.¹⁹⁰ Preparing for Robertson's promised meeting with the Chancellor at the end of November, he reiterated his view that there was no urgency because financial help should be limited to genuinely new projects and therefore 'it seems unlikely that this question will call for a

183 PRO, T 234/560; Boyd-Carpenter - Eden, 20/4/55.

184 PRO, T 234/560; Bancroft - Brittain, 29/3/55.

185 PRO, MT 47/405; Robertson - Boyd-Carpenter, 1/4/55.

186 PRO, MT 47/405; Robertson - Boyd-Carpenter, 1/4/55; T 234/560; Wild - Grant, 25/5/55.

187 PRO, MT 47/405; Robertson - Boyd-Carpenter, 1/4/55.

188 PRO, T 234/560; Wild - Grant, 25/5/55.

189 PRO, T 234/560; Grant, 'Certain Aspects of Railway Finance', 30/6/55 [Grant's emphasis].

190 Ibid.

final decision for *several years*'.¹⁹¹ All Robertson got from the meeting was an agreement to discussions between Grant and BTC officials.¹⁹²

However, in February 1956, Watkinson warned the Chancellor that the BTC would soon have to borrow to cover its deficits, but only had the power to do so temporarily.¹⁹³ After the budget, Watkinson brought Robertson to the Treasury to discuss reconstructing the Commission's finances. Treasury officials suspected that they would be asked to approve some form of subsidy and objected to such proposals being put to the Chancellor with no details worked out. Sir Herbert Brittain advised that Robertson 'be asked to let his officials discuss concrete suggestions with the Ministry who could then do the same with us'.¹⁹⁴ Nevertheless, the Treasury was prepared to accept both the capitalisation of interest (so long as it related to specific revenue-earning investments and not simply general borrowing), and the transferring of some of the deficit to a suspense account, if the proposal was accompanied by an effectively presented reconstruction programme.¹⁹⁵

On 12 June, Watkinson told the Cabinet that the full extent of the Commission's financial woe would soon be public knowledge. The 1955 deficit was £30.6 million and the cumulative deficit of £69.7 million would probably top £100 million at the end of 1956. The prospect of meeting these deficits by raising charges was slim, as traffic would be lost to the roads, 'and it seemed doubtful whether they would be able to balance their current account for many years to come'.¹⁹⁶ He had begun discussions with the Chancellor over the possibility that 'if the Commission could show that they would eventually be able to pay their way, they might be allowed to transfer to a special account

191 PRO, T 234/560; Grant, brief for Chancellor's meeting with Sir Brian Robertson, 30/11/55 [my emphasis].

192 PRO, T 234/560; Grant, note of meeting between the Chancellor and Sir Brian Robertson, 5/12/55.

193 PRO, T 234/560; Watkinson - Macmillan, 24/2/56.

194 PRO, T 234/561; Grant, 'Sir Brian Robertson's Visit', 30/4/56, with additional note from Brittain, 1/5/56.

195 PRO, T 234/561; Grant, 'Sir Brian Robertson's Visit', 30/4/56; Grant, brief on CP(56)139, 11/6/56; Macmillan - Watkinson, 7/6/56; MT 115/82; Wild - Stedman, 31/5/56.

196 PRO, CAB 129/81; Watkinson, 'British Transport Commission', CP(56)139, 8/6/56; CAB 128/30; Cabinet conclusions, CM(56)41(2), 12/6/56.

the deficit accumulated during the period of rehabilitation and development since 1948',¹⁹⁷ and asked for authority to prepare a White Paper. Both the principle and the practicalities of the proposed financial reconstruction caused concern in Cabinet. In particular, the possibility that Government backbenchers would take the opportunity to press for an inquiry into all nationalised industries was raised. An *ad hoc* committee (GEN 532) was established under the Lord Chancellor, Lord Kilmuir, to 'consider what practical proposals for increasing the efficiency of the railways could with advantage be included in a White Paper'.¹⁹⁸

The deliberations of GEN 532, were 'pretty rushed, with a view to getting out a White Paper soon and the whole business was handled in such a way that there was not a great deal of time for reflection'.¹⁹⁹ Watkinson wanted a plan ready before the end of September when the six-month moratorium finished, and he expected the union pay claims to have reached arbitration.²⁰⁰ Pressure to come up with something quickly was increased when Robertson agreed to the June freeze on condition that the reassessment of the Commission's financial position found 'a course of action consistent with [the Commission's] statutory obligations and a proper development of their undertaking'.²⁰¹ Although I have found no record of Watkinson's reaction to the BTC's intention to publish in its annual report for 1955 a table attributing the entire accumulated deficit to Government intervention over charges,²⁰² this can only have increased the importance of presenting the deficit as 'a reflection... of a period of rehabilitation and

197 PRO, CAB 128/30; Cabinet conclusions, CM(56)41(2), 12/6/56.

198 Ibid. The other members of the committee were Watkinson; Derick Heathcoat Amory [Minister of Agriculture, Fisheries and Food]; Ian Macleod [Minister of Labour]; and Henry Brook [Financial Secretary to the Treasury]; Sir Gilmour Jenkins and Alison Munro also attended.

199 PRO, T 234/44, Treasury Investment Committee: Examination of BTC, including Railway Programme, part two; Matthew Stevenson [Treasury under secretary] - Richard Clarke [Treasury third secretary], 4/10/56.

200 PRO, T 234/561, BTC: Financial Position and Prospects, part C; Watkinson - Macmillan, 12/7/56.

201 BTC press statement, 27/6/56; cited in Gourvish, British Railways, p.186.

202 Playfair learnt this from Robertson in April (PRO, T 234/561; Playfair - Grant, 20/4/56), it is inconceivable that Robertson did not tell the Minister.

reconstruction',²⁰³ and the re-financing 'not as a device of accountancy but as part of a practical plan',²⁰⁴ particularly given Opposition claims that the Government had forced the BTC to breach its statutory duty.²⁰⁵ Watkinson told the first meeting of the *ad hoc* committee that 'it would be necessary for the Government to deal fully, by the early autumn, with the Commission's financial position and future prospects. Public opinion would then have to be convinced that the Commission would be able eventually to achieve solvency without a subsidy'.²⁰⁶

This left no time to mount a detailed challenge to whatever investment proposals the Commission might make, and the *ad hoc* committee ruled out an independent examination. Instead, it asked Treasury and MTCA officials to examine the BTC's investment plans and report back in early September.²⁰⁷ It seems unlikely that Ministers had any intention of rejecting the Commission's proposals on the basis of this examination, for the same reasons that they rejected an outside investigation:

the Government had already endorsed the modernisation plan in general terms and, unless the plan was put into effect, the Government would be open to the damaging criticism that it had, by the 1953 Transport Act, destroyed the Commission's prospects of solvency. ... in any event, the Government could not avoid incurring very substantial expenditure on the railways for many years to come. It would be better that this should be applied constructively, rather than in financing a continuing deficit.²⁰⁸

Treasury officials were unhappy at the way the whole matter was being handled; complaints about the hurried nature of things were common, and approval of the Commission's proposals was a matter of contemporary frustration and lasting regret at the Treasury.²⁰⁹ Officials wanted to get to grips with the Commission's investment programme (see Chapter Four, p.146), but in the short term, the Treasury was obliged not

203 PRO, CAB 128/30; Cabinet conclusions, CM(56)41(2), 12/6/56.

204 Ibid.

205 Ernest Davies, HoC, Official Report, 17/5/56, col. 2347.

206 PRO, CAB 130/116; GEN 532, first meeting, 26/6/56.

207 PRO, CAB 130/116; GEN 532, second meeting, 23/7/56.

208 Ibid.

209 For examples, PRO, T 234/553; Stevenson - Grant, 14/9/56; Clarke - Stevenson, 17/9/56; T 298/175, BTC Reorganisation 1960-61, part B; Padmore - Brook, 29/11/60.

only to accept the publication of the Commission's paper, but to devise some form of financial assistance to cover the Government's blushes.

Watkinson proposed that the Commission be allowed to issue special stock to cover the accumulated deficit and operating deficits over the next six years. There would be an annual limit on the amount to be raised in this manner. This stock would pay no return for five or six years, until the Commission was back on its feet. It would then either be redeemed over an unspecified period, replaced by normal loan capital, or continued 'as a form of capital finance which could provide the Commission with a greater flexibility in its capital structure'.²¹⁰ This approach was roundly condemned at the Treasury, in particular because it would release the brake on wage claims.²¹¹ Watkinson was happy to drop his proposal if the Treasury came up with something else,²¹² which they did in the form of the suspense account explained above. Following a meeting with the MTCA in August,²¹³ these proposals were put forward by Pliatzky:

the Treasury Minister [on GEN 532] was the Financial Secretary [Henry Brooke]... I never spoke to him, never saw him face to face, he never consulted me, but I used to get the minutes... and I saw that he turned down all [the financial] proposals... The minutes of one meeting said that at the next meeting the Financial Secretary would present his own proposals, which I found rather astonishing. I had no idea what his proposals were, but nor had he! It turned out... that I was supposed to produce his proposals for him... I was absolutely flabbergasted. So I came up with the proposal that the BTC... should have power to capitalise interest on their borrowing. I knew such an arrangement existed for it was provided for in the legislation for the North of Scotland Hydro-Electricity Board which is where I came across it... I had no experience of it... but I was in a spot.²¹⁴

210 PRO, CAB 130/116; Watkinson, 'British Transport Commission. Draft White Paper', GEN 532/4, 19/7/56.

211 PRO, T 234/551; Watkinson - Macmillan, 6/7/56; Grant, 'BTC Finances', 13/7/56, with Brittain's additional note.

212 PRO, T 234/551; Brittain, 'BTC Finances', 17/7/56.

213 PRO, T 234/552, BTC: Modernisation Plans, including Reappraisals, part D; Pliatzky, 'Railways Policy - The Treasury's Proposals for Financing the Deficit' and covering note to Brittain, 15/8/56.

214 Interview with Sir Leo Pliatzky, 22/7/98. It may appear that Sir Leo's recollection is at odds with the fact that the capitalisation of interest and suspense account suggestions had been discussed previously, but he had not been involved in these discussions and Grant was on leave during August 1956 when he drew up his proposals (PRO, T 234/552; Pliatzky - Wild, 21/8/56; Pliatzky - Grant 22/8/56). His recollection is supported by the conclusions of GEN 532, second meeting,

Ministers accepted the financial reconstruction on the basis that it was 'not a subsidy but corresponded on a massive scale to an ordinary commercial operation in which an undertaking with good prospects has to be specially financed during the period before new investments bear fruit'.²¹⁵

In fact, the Government were in no position to claim that the Commission's prospects were good in 1956. The entire edifice of loans and special accounts presented in the White Paper was something for the Cabinet to throw to its critics while the Treasury got on with the job of assessing the BTC's prospects. This does not mean that the Cabinet approved the proposals with unmitigated cynicism, merely that they had no more business believing in them than, politically, they had a choice in accepting them. That Brooke, having objected to the proposals put to the committee, was obliged to come up with an alternative, even though he did not have one, illustrates the extent to which the Government's room for manoeuvre was now limited. Watkinson was a prisoner of his own tactics, and the weakness of the theory that the Commission could be forced to improve its performance by the threat of increasing deficits was illustrated by the fact that the Commission's limited closure plans and inadequate explanation of its investment programme was accompanied by proposals for the financial reconstruction necessitated by the prices freeze. The Minister was left with no option but 'more or less to eat his words':²¹⁶ to accept the BTC's proposals; to present them as in some way new; and thereby to defend the decision to intervene on charges.

Once again the nature of the Government's relationship with the Commission produced the general endorsement of a prospectus which required detailed investigation: the White Paper was approved by the Cabinet with a mixture of banal optimism and discreet reservation similar to that displayed when the Modernisation Plan had been discussed.²¹⁷ Although Kilmuir described the Commission's proposals as 'a comprehensive scheme for transforming the railways into a sound profitable

23/7/56 (PRO, CAB 130/116) and by Pliatzky - Brittain, 15/8/56 (PRO, T 234/552).

215 PRO, CAB 130/116; GEN 532, second meeting, 23/7/56.

216 PRO, MT 115/3; Munro - Goodison, 8/5/58.

217 PRO, CAB 128/30; Cabinet conclusions, CM(56)67(4), 26/9/56.

enterprise',²¹⁸ the Cabinet understood that 'it was not intended that the Government should actually sponsor the present scheme or endorse it in detail',²¹⁹ and that if it became clear in the future that the proposals were not working then the Government would be free to pursue alternatives. Watkinson had made it clear to his officials and his colleagues that 'the Commission would have to do as well or better than forecast in their plan or face the consequences. This would be the time for an outside inquiry'.²²⁰

If Watkinson had been forced into a somewhat defensive position by the Commission's *volte face* on closures, he must have felt that he defended well. Although the White Paper was greeted with a more muted fanfare than that which had been heard in January 1955, the reaction was fairly positive. The Economist felt 'the country is being asked to put its shirt on a gamble... which starts at very reasonable odds'.²²¹ The Daily Telegraph, Daily Mail and Manchester Guardian broadly approved, only The Times sounded the dissenting note that it would have been better to identify and write-off the irrecoverable losses.²²² In its own terms, however, Proposals for the Railways can be almost entirely dismissed as a failure. Its only achievements were to set out the measures necessary to avoid the complete financial collapse of the Commission and to save the Government's face. It could be argued that at least the financial estimates in the White Paper allowed the Government to intervene once it became clear that the Commission would not fulfil them, and that Watkinson had clearly placed a closure programme on the agenda. However, once the Commission's divergence from the path set out in 1956 had become clear, its losses had reached such levels that action would have been inevitable in any case.

In September 1957 a sterling crisis arose, which the Chancellor, Peter Thorneycroft (who had replaced Macmillan when the latter succeeded Eden as Prime Minister), blamed on

218 Ibid.

219 Ibid.

220 PRO, MT 115/82; Watkinson, note, 23/7/56; CAB 130/116; GEN 532, second meeting, 23/7/56.

221 AMC/WP; Box I, folder: Press - Future of British Railways; cutting: The Economist, 27/10/56, pp.345-6, 'Will the New Railways Pay?'.

222 AMC/WP; Box I, folder: Press - Future of British Railways; cuttings, all dated 26/10/56.

domestic inflation.²²³ Once again, the Commission found itself at the mercy of wider Government policy, affecting both investment and wages. An annual ceiling of £1500 million was imposed on public investment in 1958-9 and 1959-60 - a cut of ten per cent.²²⁴ The BTC's railway investment programme escaped with only a five per cent cut - £20 million in each of the two financial years.²²⁵ Gourvish has described the progress of the pay claims submitted in September and November 1957, and settled the following May.²²⁶ Initially the Government was determined to hold down public sector pay,²²⁷ and the nationalised industries were told to make no concessions without consulting the Government.²²⁸ Whereas Watkinson had attempted to use rising wages to force economies from the Commission in 1956, he now attempted to cap the BTC deficit in order to limit pay claims, and wrote to Robertson in October, informing him that the Government would not give the Commission an advance to cover a deficit in 1958 which was higher than that for 1957, and that for 1959 would be further reduced 'in accordance with the forecast on which the [1956] White Paper is based'.²²⁹

As Gourvish has argued, the 1958 pay negotiations were 'as much with the government as with the Commission'.²³⁰ Another *ad hoc* Cabinet committee (GEN 644) met eight times to discuss the issue,²³¹ and Macmillan, Watkinson and the Chancellor

223 John Turner, Macmillan, (London: Longman, 1994), p.232.

224 PRO, CAB 128/31; Cabinet Conclusions, CC(57)68(3), 17/9/57; CAB 129/89; Thorneycroft, 'The Economic Situation', C(57)209, 17/9/57.

225 Gourvish, British Railways, p.284.

226 Ibid., pp.233-6.

227 Ibid., p.233.

228 PRO, T 234/562; Stevenson, passage on nationalised industry wages for brief to Financial Secretary on public sector wages, enclosed in Stevenson - Grant, 11/10/57.

229 Watkinson - Robertson, 22/10/57; published in HoC, Official Report, 26/3/58, cols 425-6.

230 Gourvish, British Railways, p.235.

231 PRO, CAB 130/146, Ad hoc Committee on BTC Wages (GEN 644). These meetings were usually attended by Macmillan, Heathcoat Amory [Chancellor of the Exchequer], Watkinson, Macleod [Minister of Labour], and Edward Heath [Chief Whip]. Dr Charles Hill [Chancellor of the Duchy of Lancaster] and Lord Mills [Minister of Fuel and Power] attended the first four meetings, Mills returned

(now Derick Heathcoat Amory) met representatives of the BTC and the unions at 10 Downing Street.²³² Gourvish has attributed the eventual agreement to the fact that the Government was now less concerned about inflation and was facing a strike by London bus drivers.²³³ Macmillan was anxious to avoid a strike, fearing both the public reaction and the economic effects. However, he also wished to maintain the appearance (at least) of a settlement funded through economies.²³⁴ The unions wore down the Government's position over April and May. When an initial offer to accelerate modernisation in return for productivity improvements with a possible review of pay later in the year failed, Robertson was authorised to offer an increase effective from October.²³⁵ This relied on funding a three per cent increase through the £15 million from the existing programme of economies, a £6 million additional saving, payments to the Commission as a highway authority for maintaining level crossings and bridges (£1 million), accelerating modernisation (£1 million) and increasing prices (£2 million).²³⁶

When the NUR threatened a strike unless an immediate increase was offered, Ministers faced the choice of back-bench protest at the award or public anger at a strike over the difference between an immediate increase and one in October - an estimated £2.5 million.²³⁷ On 5 May, Ministers had been determined to refuse an immediate rise,²³⁸ but six days later they decided the extra money to fund one should be found through further economies.²³⁹ In addition to the three per cent awarded from 30 June, the unions

at the eighth. Butler attended from the fourth meeting. Treasury, MTCA and MoL officials attended the early meetings but the only officials present at the eighth were the secretaries.

232 PRO, T 234/562, BTC: Financial Position and Prospects, part D; note of a meeting at 10 Downing Street, 22/4/58.

233 Gourvish, British Railways, pp.235-6.

234 BL/MAC, D.29, 10/4/58 - 12/5/58.

235 PRO, CAB 130/146; Gen 644, first meeting, 17/4/58; third meeting, 1/5/58; fifth meeting, 5/5/58.

236 PRO, T 234/562; meeting between Heathcoat Amory, Watkinson, and MTCA and Treasury officials, 30/4/58.

237 PRO, CAB 130/146; Gen 644, eighth meeting, 11/5/58.

238 PRO, CAB 130/146; Gen 644, fifth meeting, 5/5/58.

239 PRO, CAB 130/146; Gen 644, eighth meeting, 11/5/58.

were promised a review of the railways wage structure which would compare railway wages with those in other industries. The inquiry, appointed and funded by the BTC and the unions, was established in December 1958 and reported in March 1960. It was led by Claude Guillebaud, an academic who had chaired two previous inquiries into railway pay.²⁴⁰ Although the Guillebaud Inquiry allowed some respite on the pay question, it represented a sword of Damocles hanging over the railways, promising an inevitable increase in wages which would not be based on the Commission's ability to pay.

Whatever the Government's tactical considerations, this settlement was a missed opportunity in strategic terms. The majority decision of the RSNT which had precipitated the negotiations in May had, unlike that of the Cameron Court of Inquiry, accepted the argument that although the railwaymen had fallen behind in terms of comparability, the Commission simply could not afford to increase wages;²⁴¹ but the new investigation was based on comparability. It is impossible not to be cynical about the savings,²⁴² which supposedly meant the Government had not funded the increase. The auditors of the Commission's accounts later confirmed that it had substantially fulfilled its undertakings on economies,²⁴³ but the Government's position clearly rested on the assumption that the BTC would achieve the financial results anticipated in the 1956 White Paper.

In June 1957 Watkinson wrote that '1956 is the last year in which we shall be able to claim that the benefits of modernisation and reorganisation are yet to come. 1957 will have to tell a very different story'.²⁴⁴ In fact 1957 did not tell a different story, and by autumn 1958, a far worse one was beginning to emerge. In September, Watkinson told the Financial Secretary (Jocelyn Simon) that the railway deficit could reach as much as

240 Gourvish, British Railways, pp.235-8.

241 Ibid., p.234.

242 PRO, CAB 130/146; Gen 644, third meeting, 1/5/58. The additional savings to fund an offer in October were not expected to be fully achieved in 1959.

243 PRO, MT 115/109, Withdrawal of Unremunerative Services: Policy, part two; MTCA brief on BTC Report and Accounts 1958, July 1959.

244 AMC/WP, Box I, BTC folder; Watkinson - Percy Faulkner [MTCA under secretary], June 1956 (no specific date).

£90 million.²⁴⁵ It now seemed that the BTC would probably use up the funds provided by the 1957 Act to cover its deficits by the middle of 1959. 'No one', Treasury second secretary Sir Thomas Padmore told the Chancellor, 'knows what to do'.²⁴⁶ The practical solution was simple. A Bill was already in the pipeline to extend the Commission's powers to borrow for investment, and a new clause was prepared to increase the £250 million limit on deficit borrowing in the 1957 Act to £400 million.²⁴⁷ However, as these sums would be a Treasury loan, the Government was supposed to believe that the BTC could pay it back, and the funding of an increased deficit would be a major political embarrassment for Watkinson. As recently as July he had reaffirmed that the Commission would not be given advances to cover an increased deficit and had repeated the BTC's belief that it could still break-even by 1961-2.²⁴⁸

At some point in the crisis Watkinson composed a note in which he argued that, subject to information about future trends in coal and steel traffic, the Commission should be told that 'there can be no possibility of the Government altering the letter of October, 1957' (see p.127 above).²⁴⁹ The Minister proposed that two-thirds of the deficit beyond that limit should be met by 'further economies, however painful'²⁵⁰ and the remaining sum covered by a variety of possible measures to provide special aid to the Commission:

- (a) Reduction of interest rates
- (b) Use of part of the BTC funds set aside for modernisation
- (c) Moratorium on fixed charges
- (d) Short term loan
- (e) Any others.²⁵¹

245 PRO, T 234/555, BTC: Modernisation Plans, including Reappraisals, part G; Grant -T. A. Odell [Treasury senior executive officer, attached to Capital Issues Committee], 24/9/58.

246 PRO, T 234/562; extract from a note to the Chancellor in Sir Thomas Padmore [Treasury second secretary] - Grant, 25/9/58.

247 PRO, T 234/555; Grant - Rae, 25/9/58.

248 Watkinson, HoC, Official Report, 17/7/58, col. 1451.

249 AMC/WP, Box 1, BTC folder; undated and untitled paper.

250 Ibid.

251 Ibid.

He then suggested to the Cabinet that the Commission ask the banks to cover the deficit,²⁵² and in January 1959 told the Chancellor that ‘the only tenable position for us to take up’,²⁵³ would be to set a limit on the 1959 deficit of £60 million. This was desperate stuff; addressing the Commission’s failure to keep to one limit by setting another was about as credible as a bank loan to the BTC was likely. Watkinson himself admitted that capping the deficit would probably produce a demand from Robertson for freedom from any Government influence on fares and charges (‘politically very awkward indeed’²⁵⁴) and possibly a confrontation with the unions over job losses. Moreover, the Government would face problems when the extent of the Commission’s adherence to the limit started to become clear in autumn 1959.

These proposals were not taken up. Instead, in an exchange of correspondence published in November, Robertson and Watkinson agreed that the deficit had risen because of a slump in coal and minerals traffic beyond the Commission’s control.²⁵⁵ Robertson’s letter argued that the economic downturn was a temporary phenomenon, and offered a familiar cocktail of solutions: another £20 million of economies; increased passenger fares; and closures. It confidently stated that modernisation remained the best way to reduce costs and increase traffics and claimed ‘we are nowhere near the end of the process of the rationalisation of our railway system’;²⁵⁶ but admitted that the Commission would need Government assistance and offered no prospect of increasing freight revenues by raising charges because ‘as far as possible the Commission’s policy is to hold down their freight charges in order to encourage traffic’.²⁵⁷

Watkinson’s reply stated his willingness to consider speeding up modernisation; but added that ‘the scale and pace of the different parts of the plan will now also need to be looked at in the light of your proposals for speeding up economies as well... as in

252 PRO, CAB 129/95; Watkinson, ‘British Transport Commission’, C(58)202, 1/10/58.

253 PRO, T 234/555; Watkinson - Heathcoat Amory, 14/1/59.

254 Ibid.

255 Robertson - Watkinson, 25/9/58; Watkinson - Robertson, 30/10/58; both published in HoC, Official Report, written answers, 5/11/58, cols 52-65.

256 Robertson - Watkinson, 25/9/58; published in HoC, Official Report, written answers, 5/11/58, cols 52-64.

257 Ibid.

relation to the scale of public investment as a whole'.²⁵⁸ This rather bland statement covered the crux of the matter - an investigation into the Commission's financial prospects and the future course of modernisation. The form which this inquiry was to take was the subject of much wrangling between the Ministry and the Treasury. Watkinson was concerned that the Commission would present politically embarrassing evidence to any inquiry,²⁵⁹ and told the Chancellor that he could not accept any sort of inquiry which would criticise the Commission's preparation or implementation of modernisation.²⁶⁰ He also felt that 'it would be difficult to stop short of a general inquiry on the scale of a Royal Commission into transport as a whole'.²⁶¹ He wanted to keep the Treasury at arm's length,²⁶² and argued that the Government 'should not try and do [Robertson's] job for him or even... tell him how to do it',²⁶³ but should instead set financial limits within which he had to operate.

Treasury officials, however, believed that 'on past showing it will be a waste of time to let the Commission produce a report on their own account for this is all too likely not to answer the vital questions or perhaps even to pose them'.²⁶⁴ Padmore wanted the Treasury to dominate any inquiry.²⁶⁵ His colleagues were not convinced by the explanation that the deficit was caused solely by the recession²⁶⁶ and believed that coal traffic would not recover when the economy picked up again.²⁶⁷ They were bemused

258 Watkinson - Robertson, 30/10/58; published in HoC, Official Report, written answers, 5/11/58, cols 63-5.

259 PRO, T 234/555; G. Bell [Heathcoat Amory's Principle Private Secretary] - Stevenson, 23/10/58.

260 Ibid.

261 PRO, T 234/555; Watkinson - Heathcoat Amory, 3/11/58.

262 AMC/WP; Watkinson, draft note, February 1959.

263 PRO, T 234/555; Watkinson - Heathcoat Amory, 14/1/59.

264 PRO, T 234/555; Stevenson - Padmore, 16/1/59; see also Stevenson - Padmore, 13/11/58.

265 PRO, T 234/555; Padmore - Simon, 2/10/58.

266 PRO, T 234/555; Grant - Padmore, 30/9/58; T 234/262; Stevenson - Robert Lang [MTCA Director of Finance], 30/10/58.

267 PRO, T 234/555; A. Ogilvy-Webb, 'The BTC and the Railways', November 1958.

by the fact that the Commission had not given any hint of this sudden decline during discussions on investment and wages earlier in the year,²⁶⁸ and noted that Robertson's letter made no allowance for 'the inevitability of further increases in wages'.²⁶⁹ Most importantly, they questioned Robertson's belief that the answer was to speed up modernisation, and instead raised the question not of whether, but *how*, investment was to be reconsidered in the new circumstances.²⁷⁰ They were determined to avoid a repeat of 1956, when 'we were landed with the plan and White Paper with no time for consideration because an announcement had to be made... the present situation is a result from this previous ill-considered action'.²⁷¹

Treasury concern at the BTC's deviation from the financial path set out in the 1956 White paper pre-dated the autumn crisis;²⁷² and was exacerbated by officials growing awareness that 'the BTC have a good deal of information which they deliberately withhold'.²⁷³ Moreover, for reasons discussed in the following chapter, the Treasury was becoming increasingly sceptical about the value of investing in rail. In summer 1958, the Treasury questioned Ministry officials over the increased cost and acceleration of the Plan and whether the break-even date had changed.²⁷⁴ They were unable to give a convincing answer when it was pointed out that the increased price of the original plan was too high to be explained by increased costs and admitted that despite pressure from the Minister on Robertson, 'the Ministry had never yet succeeded in having access'²⁷⁵ to the regional investment returns to the BTC.

When the Commission's representatives were questioned about this they admitted that they had no knowledge of regional investment proposals between one annual

268 PRO, T 234/555; Grant - Odell, 24/9/58.

269 PRO, T 234/555; Grant - Padmore, 30/9/58.

270 PRO, T 234/555; Stevenson - Padmore, 2/10/58.

271 PRO, T 234/562; Clarke, note on Stevenson - Clarke, 3/11/59.

272 PRO, T 234/562; Rae - Grant, 14/3/58.

273 PRO, T 234/564, BTC: Capital Investment Policy, part A; Grant - Ogilvy-Webb, 20/5/58.

274 PRO, T 234/562; Long-Term Investment Review, 1960-2, first meeting, 30/5/58.

275 Ibid.

submission and the next and that 'it was not easy to keep track of the revenue position in the regions with a view to action to correct deficits'.²⁷⁶ They could not provide details of the £210 million they wanted to spend in 1960 until the end of 1958 when they had the regional estimates.²⁷⁷ If this was worrying, the comment that the increased cost of modernisation reflected 'the amount of investment which, so far as the thought of the BTC had progressed, ought to be carried out by 1970... [and] *was not comprehensive as regards the later years*',²⁷⁸ must have sent shivers down Treasury spines. This was not the 'full picture... with some justification based on past experience',²⁷⁹ which the Treasury had been looking for. Although the railways' programme escaped a cut when the Cabinet placed a ceiling of £1500 million on public investment for 1959-60 in July, the limit of £1575 million which the Chancellor proposed for 1960-61 illustrates the conflict between the Commission's hopes regarding investment and the Treasury's.²⁸⁰ By August, there was talk of £30 or £40 million coming off the BTC programme for 1960-1,²⁸¹ and when, later that month, the Commission put forward a programme for 1960 which suggested spending £260 million or more, Grant wrote 'I do not know how seriously we are expected to take this'.²⁸²

In the second half of 1959, James Dunnett arrived at the MTCA from the Ministry of Supply as a deputy secretary. He was brought in to improve the state of the Ministry,²⁸³ replacing Jenkins as Permanent Secretary the following year, a development to which Gourvish rightly attaches significance.²⁸⁴ Dunnett shared the Treasury's

276 PRO, T 234/564; Long-Term Investment Review, 1960-2, second meeting, 27/6/58.

277 Ibid.

278 Ibid. [my emphasis].

279 PRO, T 234/564; Ogilvy-Webb - James Mark [Treasury assistant secretary], 28/5/58.

280 PRO, CAB 128/32; Cabinet conclusions, CC(58)64(4), 24/7/58.

281 PRO, T 234/564; Mark - Grant, 6/8/58.

282 PRO, T 234/564; Grant - Lang, 14/8/58.

283 Interview with Sir James Dunnett, 11/4/95.

284 Gourvish, British Railways, p.299.

concerns and objectives,²⁸⁵ but asked the Treasury, who agreed, to stay in the background in order not to weaken the Ministry's position.²⁸⁶ Watkinson announced the BTC's reappraisal of its position on December 11, during the second reading of the Bill to extend the limit on deficit advances to the Commission under the 1957 Act, without reference to the Treasury.²⁸⁷ What he and senior officials wanted from the exercise was an explanation of how the Commission would eradicate its deficit. This was 'the motive force for saying where are the railways going?'.²⁸⁸ However, in its Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways, published in July 1959, the Commission blamed its failure to fulfil the predictions in the 1956 White Paper on factors outside its control, and moved the break-even date back a year to 1963.²⁸⁹ Robertson concluded the document with the bold claim that 'this Re-appraisal has shown that the Modernisation Plan drawn up four years ago, and the financial appreciation made in the White Paper of 1956, were soundly based'.²⁹⁰ At the same time, the Commission made 'a strong plea for fresh consideration of its capital structure'.²⁹¹ Although the Re-appraisal proved as vague and optimistic as the Modernisation Plan and the 1956 White Paper had been,²⁹² this was not a victory for the Commission. There was now no question of the Treasury allowing the drift into ever greater deficits to continue unchecked; and a programme of further closures was virtually inevitable.

285 PRO, T 234/555; Stevenson - Clarke, 26/11/58; Dunnett - Stevenson, 18/12/58; record of a meeting between Treasury and MoT officials, 23/12/58. See also Stevenson, note, 1/6/59, for evidence of Dunnett's 'gloomy' anticipation of the Re-appraisal's likely inadequacy.

286 PRO, T 234/555; Stevenson - Clarke, 10/6/59.

287 Watkinson, HoC, Official Report, 11/12/58, col. 522. For the Treasury's dismay at this, see PRO, T 234/555; Stevenson - Clarke, 16/12/58.

288 Interview with Sir James Dunnett, 11/4/95.

289 MTCA, Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways (Cmnd 813), (London: HMSO, 1959), pp.29-31.

290 Ibid., p.31.

291 Gourvish, British Railways, p.299.

292 Ibid, pp.297-9.

During 1957 the Ministry nursed the fingers it had burnt trying to drag a comprehensive reduction in unremunerative services out of the BTC in 1956.²⁹³ The Commission was still committed to its policy of closure in the last resort only.²⁹⁴ Watkinson was not reconciled to this policy,²⁹⁵ and in early 1958 the Ministry prepared to renew pressure on the Commission, in response to the low level of savings achieved in the previous two years (less than £1 million in total).²⁹⁶ Before it could do so, the wages dispute blew up and the savings used to support the settlement included £500,000 from closures.²⁹⁷

The TUCCs themselves were subject to constant criticism from opponents of closure in the House of Commons; indeed the South Eastern Area TUCC had been so heavily criticised in the House for its supposed unfairness in the Bluebell case that it was still refusing to hold meetings when the CTCC report on the case exonerated it in February 1958.²⁹⁸ Watkinson had offered to help Robertson speed up progress on closures by meeting the TUCC chairmen.²⁹⁹ He also considered encouraging the BTC to bypass the consultative process by closing lines and letting the TUCC evaluate the decision afterwards, or using timetable changes to 'eliminate a service completely and close a line'.³⁰⁰ But both were ruled out for practical and political reasons.³⁰¹ When they met Watkinson in June, the TUCC chairmen were generally, although not unanimously, sympathetic to the Government's aims, and he agreed to help them by

293 PRO, MT 115/3; Munro - Goodison, 26/3/58.

294 PRO, MT 115/3; BTC memo to CTCC, 27/9/57.

295 PRO, MT 115/3; Watkinson - Faulkner, 19/3/58.

296 PRO, MT 115/3; Munro - Goodison, 26/3/58; Goodison - Faulkner, 31/3/58, covering amended draft letter to Sir Brian Robertson.

297 PRO, MT 115/3; Faulkner - Goodison, 5/6/58; Munro - Goodison, 8/5/58.

298 PRO, MT 115/3; MTCA brief on BTC Bill, 1957-8, 21/2/58.

299 Watkinson - Robertson, 5/5/58. I have been unable to find this letter but it is referred to in PRO, MT 115/3 Munro - Goodison, 8/5/58.

300 PRO, MT 115/109; note of a meeting between Watkinson, MTCA officials, Arthur Pearson [BTC Chief of General Duties] and Robertson, 16/6/58.

301 Ibid.

stating the Government's policy in Parliament.³⁰² Twice in the following month, he expressed the Government's strong support for the BTC's plans for eliminating hopelessly uneconomic services, telling the House of Commons that 'the railways are no longer a monopolistic organisation with an obligation to provide all sections of the community with a railway service.. [and] the Commission is under no obligation to provide an alternative service'.³⁰³ Unfortunately, performing in the House was not Watkinson's strongest point,³⁰⁴ and, in attempting to re-assure opposition members that passengers' needs would not be totally ignored, he implied that the TUCCs had a statutory duty to take alternative services into account when judging closure proposals.³⁰⁵ This caused confusion among the CTCC members, although by September Watkinson had made it clear that no such duty existed.³⁰⁶

Although progress was still slow, the years after 1958 saw an increase in closures, and 1959-60 saw the first rationalisation of through routes. Two lines, the Midland and Great Northern (linking the Midlands with the Norfolk coast), and the Hull and Barnsley, were closed. However, these were such profligate investments in the first place that they could not be called main lines. The rationalisation of through services on the Great Central line, however, meant that the Commission had at least realised that it did not require three main lines between London and Manchester, although the Re-appraisal implied that it would maintain services to intermediate stations,³⁰⁷ despite the fact that the line served nowhere of any size which was not already served by another main line.³⁰⁸ These were all measures which should have been taken (at least) a decade earlier, however, and there were setbacks. In February 1958, the report of the CTCC

302 PRO, MT 115/109; meeting between Watkinson, MTCA officials and CTCC/TUCC Chairmen, 24/6/58.

303 Watkinson, HoC, Official Report, 23/7/58, col. 421. The other occasion was the debate on the BTC's annual report and accounts: Watkinson, HoC, Official Report, 17/7/58, cols 1452 and 1457.

304 Private information.

305 Watkinson, HoC Official Report, 17/7/58, cols 1457-8; 23/7/58, col. 422.

306 PRO, MT 115/3; CTCC minutes, 31/7/58, Chairman's comments; MT 115/109; CTCC minutes, 16/9/58.

307 Gourvish, British Railways, p.208; MTCA, Re-appraisal, appendix B, p.42.

308 Henshaw, Great Railway Conspiracy, p.165.

public inquiry into the Bluebell case found that the Commission had overestimated the amount that would be saved (although it rejected all of the arguments in favour of retention), and recommended that in future it should provide more detailed information in support of its proposals.³⁰⁹ Reluctantly accepted by the Commission, this change discouraged the regions from proposing closures and made it easier for objectors to criticise the Commission's figures.³¹⁰ In the summer of 1958, the role of the BTC members of the North Western TUCC in the Coniston branch case, whose votes provided the majority in favour of closure, brought such discredit on the whole process that the Commission instructed its representatives to refrain from voting in future.³¹¹

Some CTCC members were critical of the BTC's reluctance to close lines,³¹² and when the Minister asked the TUCC chairmen to speed things up, they obtained a reciprocal promise that he would see if the Commission and local authorities could quicken their parts of the process.³¹³ By early 1959, the CTCC were able to show that the BTC were still moving slowly, in one case a proposal had been considered for a year before they got to see it.³¹⁴ Watkinson was determined that the Re-appraisal 'must not dodge the issue of the future size and shape of the railway system related to road traffic growth and changing patterns of industry. This must be a great deal smaller than anything envisaged up to the present'.³¹⁵ This promise was not fulfilled by the Re-appraisal's

309 PRO, MT 115/3; departmental brief, 'BTC Bill, 1957-8, Consultative Committee Procedure', 21/2/58. The BTC claimed savings of £59,000, the CTCC put the figure at £33,000.

310 Gourvish, British Railways, pp.210-1; PRO, MT 115/3; Munro - Goodison, 22/5/58; Robertson - Watkinson, 2/6/58.

311 Gourvish, British Railways, p.212; David St John Thomas, The Rural Transport Problem, (London: Routledge, 1963), pp.143-8.

312 For example, PRO, MT 115/3; C. E. Jordan, CTCC minutes, 8/10/57; Munro - Goodison, 26/3/58.

313 PRO, MT 115/109; meeting between Watkinson, MTCA officials and CTCC/TUCC Chairmen, 24/6/58.

314 PRO, MT 115/109; J. C. Chambers [CTCC Secretary] - Ray Le Goy [MTCA assistant secretary], 2/3/59.

315 AMC/WP; Watkinson, draft note, February 1959 [original emphasis].

treatment of savings from withdrawals, which the Treasury found ‘scattered and difficult to assemble coherently’.³¹⁶

A study of the document itself supports these criticisms, and illustrates the extent to which policy varied between regions. The London Midland and Western Regions provided *relatively* clear and far reaching proposals. The former proposed to close 200 route miles altogether and a further 500 miles to passenger traffic only. Five hundred stations would go from the rest of its network. The latter offered £5 million in savings from the closure of 500 miles of track and 500 halts. The North Eastern Region claimed that twenty per cent of its 1950 mileage would have closed by 1963, but how much of this had already gone was a mystery. The Eastern Region offered ‘a number of branch lines and individual stations’,³¹⁷ but no figures; the Southern, ‘some additional savings, not necessarily very large’. Most bizarre was the Scottish Region’s effort - it proposed ‘a shift from route closure to the selective abandonment or conversion [to what, was unclear] of individual stations and facilities’.³¹⁸ As what must have been the last straw for the Treasury, the Re-appraisal’s section on closure concluded: ‘By 1963 the total number of passenger and goods stations may have to be reduced by over 1,000 compared with 1958, and some 1,800 route miles may have to be closed *unless improvements in traffic justify some retention*’.³¹⁹

The lesson of Watkinson’s term at the Ministry was to be reflected in the reform of the TUCC procedure under the 1962 Act, which is described in Chapter Six. In 1960, the Commission finally accepted that it could not make branch lines pay with diesel railbuses; and Marples took an unprecedented and significant step, by overruling the London TUCC’s finding that the Westerham branch should not be closed. Nevertheless, the force of public opposition to closures still represented a significant political obstacle, and Marples’ decision was controversial.³²⁰ In 1963, the London TUCC recommended that the Woodside - Sanderstead branch in south London should not close. Marples felt

316 PRO, T 234/556, BTC: Modernisation Plans, including Reappraisals, part H; Ogilvy-Webb - Mark, 23/7/59.

317 MTCA, Re-appraisal, appendix B, p.43

318 Ibid.

319 Ibid [my emphasis].

320 Gourvish, British Railways, pp.209-11.

that the recommendation should be overruled on its merits, but his reluctance to contradict the same Tucc twice was a significant factor in saving a line which in 1976 provided one of the last places one could experience 'the silence and peace which once characterised so many branch termini'.³²¹

What judgement can be applied to Watkinson's term of office? Any Minister who has responsibility for an industry which has operated at a small profit and leaves it on its way to an annual operating deficit of over £40 million (see appendix one), can hardly be said to have succeeded. But it would be simplistic to blame Watkinson alone for this. His efforts suffered from the distortion of the idea of taking one year with another which had been taken place in January 1955. This made it virtually impossible to limit the amount the BTC was allowed to lose, so long as there was any possibility that it might one day be able to repay its debts. The threat of bankruptcy, which would have spurred a private firm to greater efficiency, was replaced by the possibility that the Government would refuse to believe the Commission's assurances. And the Government was unlikely to take such a line publicly, because its own policies would be blamed.

Watkinson's pressure contributed to an increase in the number of closures from 1958, but things were still moving slowly in comparison to later years. Although Watkinson professed a willingness to take difficult decisions in this field, he told Macmillan 'there is a delicate balance to be struck here between what the Commission should do on strict commercial grounds and what it is able to do for political and other reasons'.³²² However, Watkinson was ahead of the railways themselves on this issue, and the difficulty of implementing such a policy was to be made abundantly clear when Marples and Beeching eventually did so. The events of 1956 show that the desire within Government to rid the railways of the burden of unremunerative stopping services predated Marples and Beeching by several years, and had the Commission not frustrated the original purpose of the White Paper, it could well have contained something very similar to the Beeching Report's appendix listing services, lines and stations to be closed. Nevertheless, while Watkinson was right to look for much greater short-term savings

321 R. W. Kinder, Locomotion Papers, number 93 - Southern Railway Branch Lines in the Thirties, (Tarant Hinton: Oakwood Press, 1976), p.72; PRO, CAB 134/2452, Cabinet Committee on Reorganisation of the Railways (RR); first meeting, 2/12/63.

322 PRO, T 234/561; Watkinson - Macmillan, 27/4/56.

through closures, even a successful attempt to do so would have been hard-pressed to outweigh the Commission's deficit while wages rose relative to its earnings, unless this was accompanied by revolutionary change in terms of redundancies and productivity. In this sense Watkinson can be said to have failed. But his attempts to drag the Commission out of the red had shown that this was not possible without reform of the Commission and its relationship to government. The response to this lesson was implemented by his successor Ernest Marples; but the general direction owed more to Watkinson. This point is developed in Chapter Five.

The drawbacks of the Churchill Government's failure to base its policy on an analysis of likely future transport trends were probably less obvious than these administrative issues, but should not be underestimated. Had the extent to which road transport was to overtake rail (and in particular the implications of the growth in car ownership for investment in roads) been recognised in 1955 or 1956, the Government would not have been able to convince either itself or public opinion that the Commission could achieve solvency within the policies of the Modernisation Plan or the 1956 White Paper. By the time the Re-appraisal was underway, the Treasury had begun to address both the lack of information on transport trends and the administrative failings of the 1953 Act. These developments and their outcomes will be discussed in Chapters Four and Five respectively.

4: Road and Rail

If the Government can afford to lend only X, how can it rationally allocate the X, without going behind the borrowing to the investment?

Sir Richard Clarke, former Treasury official.¹

Whitehall is... collectively fumbling after a new policy to meet new conditions which threaten to overwhelm existing outlooks - indeed they may already have done so.

Peter Vinter, Treasury under secretary on transport policy, 1961.²

The collapse of the BTC's 1956 prospectus in the autumn of 1958 signalled the beginning of a significant period in British transport policy, culminating in 1963 in the publication of the Beeching Report and the Buchanan Report on Traffic in Towns.³ By this time the Government was aiming to provide Britain with 1,000 miles of motorway,⁴ and the British Transport Commission (BTC) had been abolished by the Transport Act, 1962 and replaced, from 1 January 1963, by the British Railways Board (BRB). The reform of the BTC was a response to its deficits, but the nature of the reform reflected two strands of thought within Whitehall. The first, which is the subject of this chapter, can be broadly described as "the future of transport"; the second as "administration", which means here not only the organisation of nationalised transport but also its relationship with the Government.

This chapter deals with the growing recognition within Whitehall from 1956 that a fundamental change in transport trends was taking place, and that, irrespective of organisational changes, the railways would never recapture sufficient traffic to remove the need for large-scale spending (unless the Government forced traffic onto rail). Chapter

1 Sir Richard Clarke, Public Expenditure, Management and Control. The development of the Public Expenditure Survey Committee (PESC), edited by Sir Alec Cairncross, (London: Macmillan, 1978); p.17.

2 PRO, T 224/340, 'Living with the Motor Car': Study of Implications of Increased Car Ownership; Vinter - Richard Clarke [Treasury third secretary], 14/2/61.

3 MoT, Traffic in Towns - A Study of the Long Term Problems of Traffic in Urban Areas, Reports of the Steering Group and Working Group Appointed by the Minister of Transport, (London: HMSO, 1963).

4 David Starkie, The Motorway Age - Road and Traffic Policies in Post-War Britain, (Oxford: Pergamon, 1982), p.9.

Five describes the investigations into, and reform of, the BTC after the publication of its Re-appraisal in July 1959, and puts these developments in the context of government policy towards the nationalised industries as a whole. Investment was a key issue in both themes. In this chapter investment is considered in terms of the comparison of spending on roads and railways. In Chapter Five it is discussed in the context of Whitehall's supervision of the BTC's investment programme. The point of this division is that the first investigation sought to establish the nation's future transport requirements, while the second was concerned with how the BTC was being run. Of course, this is an artificial division, in the sense that the same people were involved in both processes and their thinking on each topic was influenced by their views on the other. Nevertheless, it is an important distinction, because each strand is significant in its own right and the policy associated with Beeching can only be properly understood as the synthesis of both.

This chapter seeks to make three points: that the changes in transport policy which took place in this period were not the result of road lobby influence or Marples' alleged pro-road bias; that the Beeching Report was the result of a transport policy which sought to treat transport as a whole; and that the shortcomings of that policy owed much to the lack of planning in the first five years of Conservative rule after 1951. This chapter examines the thinking on transport in Whitehall in four stages: Treasury attempts between 1956 and 1961 to predict future transport requirements, in order to allocate resources for investment between road and rail; developments at the Ministry of Transport (MoT, as it became after the 1959 General Election) which saw it take statistical and economic studies far more seriously, leading to a decline in the Ministry's traditional support for rail; Beeching's attempt to conduct a statistical survey of transport in 1960; and the influence on policy towards the railways of Whitehall's growing concern about the impact of car traffic on urban Britain.

In the years 1957-61 a great deal of official thought was devoted to both the nationalised industries and transport policy. However, the Conservatives' view that a natural balance between road and rail would be achieved through competition almost precluded prediction and planning.⁵ The initial impetus for official interest in the future demand for transport therefore came not from those concerned with transport policy, but from those concerned

5 For example, see Conservative Central Office, Notes on Current Politics, 1953, no.11, 15/6/53, p.6, on the aims of the Transport Act, 1953.

with public spending. In late 1955, the Treasury established a new division, the Home and Overseas Planning Staff (HOPS), under third secretary Richard Clarke, who had recently overseen a five-year survey of social services expenditure. HOPS, which absorbed the Central Economic Planning Staff, concentrated on four areas: long-term control of public sector investment; long-term economic forecasting; the development of economic objectives for the nationalised industries; and studies on long-term demand for specific commodities (including transport). As the process of controlling investment was developed, a number of administrative changes took place and HOPS itself disappeared in 1958.⁶ The same year, the Treasury concentrated all its nationalised industry work under Matthew Stevenson, an under secretary.⁷

Two strands can be identified in much of the Treasury's thinking on transport. The "macro" approach sought to relate investment in road and rail to likely total demand, in order that, if investment threatened to create a greater capacity than was necessary, either road transport could be restricted to ensure that rail capacity was fully utilised, or the size of the railway system could be limited.⁸ The second - "micro" - approach attempted to establish some common criteria for comparing the worth of specific road and rail investment projects. It was the inability to find such criteria and the impossibility of restricting road transport in general terms (other than restricting access to some streets or enforcing parking restrictions), rather than any inherent pro-road bias, which dictated the broad pattern of transport policy within which the BRB operated from 1963.

According to the former Ministry of Fuel and Power official, Reuben Kelf-Cohen, it was the cost of the capital investment programme of the nationalised electricity industry, in particular the £200 million loan of August 1955, which convinced the Treasury that it needed to exercise closer control over the investment programmes of the nationalised industries.⁹ Clarke felt that it was the criticisms of Treasury control of supply

6 Clarke, Public Expenditure, pp.xx - xxi.

7 Ibid., p.13.

8 The Treasury was not, however, blind to the argument that demand for road or rail transport was to a degree determined by the facilities available and by their quality. For example, see PRO, T 230/353, Long-Term Survey of Transport Requirements, part three; 'Report of the Statistical Working Party on Long-Term Survey of Transport' [hereafter LTST Report], p.33.

9 Reuben Kelf-Cohen, Twenty Years of Nationalisation: The British Experience, (London: Macmillan, 1969), pp.207-8.

expenditure by the Estimates Committee in 1957-8 which 'started a long train of discussions and changes'.¹⁰ The most obvious motive was concern within the Treasury at the growth of public spending. For example, in the same month that Proposals for the Railways was published (October 1956), Stevenson expressed his concern that the road programme would add £20 million a year to public expenditure during 1959/60 to 1963/4, when 'we have already been warning the Chancellor of a marked growth in public sector expenditure over this period'.¹¹ In the first half of 1957, a Treasury Investment Committee paper predicted an increase of £350 million in public sector investment in 1961-2 over 1956-7, and, by June, Stevenson believed this figure might be reached in 1960-1.¹² 1957 saw the completion of the first Long-Term Investment Review - a rolling annual survey of public investment covering five years with firm figures for the first three.¹³

As well as establishing the Long-Term Investment Review, the Treasury made several attempts during the second half of the 1950s, to predict trends and/or make long-term plans in specific areas: in defence, afforestation, the future requirements of scientific and technical staff, iron and steel, education, and energy demand and supply up to 1975.¹⁴ The first Long-Term Economic Assessment was completed in 1957 and, the following year, this programme was expanded to form a strategic view of how consumption and civil public expenditure might fit into a long-term assumption of 2.5 per cent growth in GDP and assumed levels of exports, and expenditure. Within this study, four areas of strategic importance were identified, one of which was the establishment of proper financial and economic criteria for nationalised industries.¹⁵ In general, Clarke

10 PRO, T 230/711, History and Re-organisation of the Treasury, 1962; Clarke, 'The Public Sector Group ("Resources and Expenditure")', Talks on the Treasury [a series of talks to Treasury staff given in February - May 1963], No. 3.

11 PRO, T 234/44, Treasury Investment Committee: Examination of BTC including Railway Programme, part two; Stevenson - Sir Robert Hall [Chief Economic Adviser], 29/10/56.

12 PRO, T 234/564, BTC: Capital Investment Policy, part one; Stevenson - Clarke, 12/6/57; Stevenson - Alexander Grant [Treasury assistant secretary], 12/6/57.

13 Clarke, Public Expenditure, pp.17-9.

14 Ibid., pp.8 and 14-7.

15 Ibid., pp.19-21.

believed that the important point was not to make the best possible estimate but to establish a range within which future trends would fall, and then produce a plan 'that made most sense on most interpretations of the future'.¹⁶

Following the publication of Proposals for the Railways, the Treasury moved towards such a study on transport, and made a concerted effort to place the BTC's investment programme in a wider context: Clarke wanted an examination of 'how it fits in with the course of the economy over the next 5-10 years; are we providing enough transport facilities in relation to decisions already being taken on (or implied in) steel, electricity etc'.¹⁷ He was already concerned that the predictions of the Primary Fuel Working Party on future road and rail traffic involved colossal road expenditure and cast considerable doubt on the viability of railway modernisation.¹⁸ Nevertheless, Clarke initially believed it was unlikely that the BTC's investment programme was too large, whatever mistakes might emerge from a detailed examination.¹⁹ In November 1956, Treasury and Ministry of Transport and Civil Aviation (MTCA) officials agreed a two-pronged approach to the question of future inland transport needs: the Treasury and MTCA would 'explore with the BTC the assumptions underlying the latter's estimates of the future growth of rail traffic';²⁰ and an inter-departmental statistical group, representing the Treasury, MTCA, and Central Statistical Office (CSO) would 'assess the total growth in demand for transport by, say, 1970... and... 1960'.²¹ At this early stage, Clarke was concerned to discover whether existing investment in roads and Modernisation Plan would provide sufficient capacity to cope with the expected increase in transport demand.²²

16 Ibid., p.20.

17 PRO, T 234/552, BTC: Modernisation Plans including Reappraisals, part D; Clarke - Grant, 27/8/56.

18 PRO, T 234/553, BTC: Modernisation Plans including Reappraisals, part E; Clarke - Stevenson, 5/10/56.

19 PRO, T 234/553; Clarke - Stevenson, 17/9/56.

20 PRO, T 230/351, Long-Term Survey of Transport Requirements, part one; note of meeting, 13/11/56.

21 Ibid.

22 PRO, T 234/553; Clarke - Stevenson, 17/9/56.

The BTC's traffic estimates offered little insight into future demand for transport. Its forecasts of future fuel requirements had simply been based on its own construction programme and took no account of 'changes in the volumes of traffic'.²³ The Commission felt that general estimates of demand were not that useful a basis for its investment programme, because it needed to provide capacity for peak demand, to view requirements for fixed equipment on a geographical basis and to design rolling stock for specific tasks. Moreover, technological changes and the new freedom to select traffics would make any relationship between investment and estimated demand an imprecise one.²⁴ The second approach to the problem got underway in January 1957, when a Statistical Working Group was set up under Philip Watts (a principal in the Treasury Economic Section), assisted by K. Taylor (HOPS principal), Kenneth Glover (MTCA statistician) and W. Stedman-Jones (Chief Statistician at the CSO).²⁵ In March the group became the Statistical Working Party on Long-term Survey of Transport (LTST) and was enlarged to include David Glassborow (BTC Economics Officer), Geoffrey Wardale (a newly-appointed assistant secretary in the MTCA's finance division), and Anthony Rawlinson (Treasury principal).²⁶ The LTST was to assess future transport demand, and how it might be divided between different forms, the implications of this for investment, a comparison of these findings with existing investment plans and the indication of what factors were important in making such estimates.²⁷

The LTST, which reported in June 1957,²⁸ faced insurmountable obstacles: the lack of road statistics; the difficulty in estimating how much new traffic would be created by the provision of improved facilities; the difficulty of allowing for the effects of the Modernisation Plan and the Commission's new commercial freedoms; and the 'partly

23 PRO, T 230/351; meeting on Long-Term Railway Traffic Estimates (Treasury, MTCA and BTC), 6/2/57.

24 PRO, T 230/351; David Glassborow [BTC Economics Officer], 'Railway Carrying Capacity', LTST(5), 3/4/57.

25 PRO, T 230/351; Clarke - George Stedman [MTCA deputy secretary], 16/11/56.

26 PRO, T 230/351; meeting between the Treasury, MoT and BTC, 6/2/57; Major-General Llewellyn Wansbrough-Jones [BTC Secretary General] - Clarke, 22/2/57; LTST, first meeting, 22/3/57.

27 PRO, T 230/353; LTST Report, 28/6/57, p.1.

28 Ibid.

abnormal character of the post-war years'.²⁹ In charting the growth of road freight, the report relied on one survey carried out over a week in 1952 and multiplied the average ton/mileage carried by each class of vehicle by the number of vehicles licensed in that class in each year between 1948 and 1956.³⁰ These statistics could not be broken down by different types of cargo. Rail freight statistics were more plentiful, but even these could only be divided between coal, minerals and merchandise/livestock.³¹ The state of information on passenger traffic was even worse. Not only were figures scant, but it was unclear which ones would be relevant (for example, how were commuting peaks to be treated); and the LTST was unable to answer the question: 'what common unit can be used to measure commuting, pleasure motoring and flying?'³² As the first transport study of its kind within Whitehall,³³ the LTST exposed very clearly the inadequacy of the MTCA statistical and planning machinery, to which Clarke later attributed the failure of the initiative.³⁴

The LTST report generally accepted the BTC's predictions of traffic levels by 1970. It predicted the distribution of freight traffic between road and rail in 1970 by making three calculations. The amount of coal carried by rail, the growth of 'C' licence traffic, and the distribution of residual traffic between road and rail. The report's conclusion that the ratio of coal carried by rail to total coal production would continue to fall at the same rate as it had done since 1948-56 was arrived at despite evidence from the National Coal Board (NCB) that the centralisation of coal distribution points, future siting of power stations and greater use of oil, would increase the rate at which this ratio fell. This appeared to be at odds with the BTC's view that the average distance would increase and that modernisation would make rail a more attractive proposition.³⁵ The

29 Ibid., summary, p.5.

30 Ibid., p.12.

31 PRO, T 230/351; Watts, 'Long Term Survey of Transport Requirements', covered by K. Jones [unidentified Treasury official] - Watts, 22/1/57.

32 Ibid.; PRO, T 230/353; LTST Report, 28/6/57.

33 Interview with Sir Geoffrey Wardale, 24/4/98.

34 Clarke, Public Expenditure, p.16, note 15 (p.23).

35 PRO, T 230/353; LTST Report, 26/8/57, pp.8-9; T 230/351; Campbell [Ministry of Power] - Watts, 12/2/57.

report accepted BTC arguments that the railways' declining share of the residual traffic would stabilise at its 1955 level, as a result of modernisation and the new freight charges scheme.³⁶ It was unable to make anything other than a rough estimate of the effects of competition on passenger traffic and accepted the railways' estimates. Even predicting what would happen by 1960 proved difficult, as the short-term progress of the Modernisation Plan was hard to judge, and the report concluded that demand for rail transport would neither increase nor decrease by 1960.³⁷

These conclusions reflected the lack of information available and the consequent reliance on statistics and arguments produced by the Commission. Clarke originally described the group's task as being to predict total demand and then, in the light of expected rail traffic developments, assess implications for road traffic.³⁸ When the BTC came into the exercise, the terms of reference were redrawn so that instead of examining 'the extent to which the demand *could* be met by alternative transport facilities', it examined the extent to which it *would probably* be met.³⁹ The BTC was eager to ensure that the report backed up its own estimates,⁴⁰ and if it appears today to have been over-optimistic in its predictions regarding rail traffic, this was clearly not the opinion of the BTC commercial officers, who, 'concerned because the report does not paint too rosy a picture of the railways' future and does not advocate a policy of encouraging traffic onto the railways',⁴¹ subjected Watts to 'an afternoon's wrangling'.⁴² As a result of this some figures were changed and some passages redrafted.⁴³ The LTST was unable to reach any firm conclusions on the implications of its findings for capital investment and

36 PRO, T 230/353; LTST Report, 28/6/57, pp.9-12.

37 Ibid., p.33.

38 PRO, T 230/351; Clarke - Stedman, 16/11/56.

39 PRO, T 230/351; note of a meeting between Treasury, MTCA and BTC representatives, 6/2/57; 'Terms of Reference', LTST(57)1, 15/3/57 [my emphases].

40 Interview with Sir Geoffrey Wardale, 24/4/98.

41 PRO, T 230/353; Watts - Dorothy Johnstone [Treasury assistant secretary], 18/6/57.

42 Ibid.

43 Ibid.

pointed out that 'there is no overall transport plan for meeting prospective total traffic demand that we can compare with our estimate of that demand'.⁴⁴

The LTST's predictions were less significant than the lessons which the Treasury drew from the exercise. Watts felt it had shown the worth of studying transport as a whole and that, as this was impossible without a proper roads plan, such a plan should be discussed with the MTCA and account taken of its likely effect on the railways.⁴⁵ He added that most road and rail investment was either very long-term 'or does not show any tangible return at all'.⁴⁶ The LTST had concluded that 'our forecast of traffic could be met by any number of combinations of road and rail investment plans'.⁴⁷ It had also established that railway modernisation was 'not related to any very scientific assessment of demand',⁴⁸ and was 'concerned more with quality of service than with quantity'.⁴⁹ The ideal future pattern of investment was therefore not settled, and the Treasury view of what it should be would depend on the answers to two questions which Watts felt the report had failed to address satisfactorily: how to assess the return on investment in roads? And whether the railways could 'maintain competition with roads and obliterate their deficit'.⁵⁰ A comprehensive answer to the first of these questions was to prove elusive, but in recommending the collation of improved road transport statistics⁵¹ the report set the scene for growing certainty in Whitehall that the answer to the second question was "no".

Grant felt that the railways could just about compete with the roads and deal with the deficit, and that both road and rail investment offered good returns if the alternatives of congestion and deficits were taken into account, 'unless you are prepared to go as far

44 PRO, T 230/353; LTST Report, 28/6/57, p.26.

45 PRO, T 230/353; Watts - Jones, 1/7/57.

46 Ibid.

47 PRO, T 230/353; LTST Report, 28/6/57, p.32.

48 PRO, T 230/353; Johnstone - Stevenson, 8/7/57.

49 PRO, T 230/353; LTST Report, 28/6/57, p.26.

50 PRO, T 230/353; Watts - Clarke, 29/6/57.

51 PRO, T 230/353; LTST Report, 28/6/57, pp.33-4.

as suggesting a large-scale abandonment of railways'.⁵² Stevenson, however, was dissatisfied that, after all the expenditure involved in modernising the railways, their freight traffic would only have increased by eleven per cent, and their passenger traffic by seven, and believed it was 'a mistake to go on treating capital as the cheapest and most plentiful commodity in the United Kingdom and as the main way out of all our difficulties'.⁵³ He argued that capital was now being used up in restoring the railways' competitive position when that end could have been achieved in less expensive ways. In a minute to Clarke, Stevenson implied that if the railways were indispensable for strategic and emergency reasons and for heavy freight, then their capacity should be utilised more fully by 'adjustments to bring the comparative attractions of road and rail freight more nearly into line'.⁵⁴ Alternatively, he continued, 'if we are not prepared to argue for full utilisation of the railways then... the case for slowing down their programme could easily be built up'.⁵⁵ In the short term, the choice was essentially whether to slow down railway modernisation on the grounds that the railways could survive the restriction a delay might impose on their competitiveness (as road congestion was not expected to ease off over the next fifteen years),⁵⁶ or whether 'to let the railway programme go ahead as planned to secure the benefits to the railways and use the prospective drop of £100 million a year in investment after 1964 or so as an argument for postponing a good many of the other new demands on investment resources now piling up until that happy time arrives'.⁵⁷ (when, a year later, the BTC revealed that its investment programme would not necessarily tail off in the second half of the 1960s, this argument can only have been undermined - see Chapter Three, p.134). It was decided that a series of questions be put to the BTC to discover whether modernisation could be slowed down - without actually asking the question directly.⁵⁸ But Clarke's attention was soon diverted to the need for

52 PRO, T 230/353; Grant - Watts, 2/7/57.

53 PRO, T 230/353; Stevenson - Clarke, 8/7/57.

54 Ibid.

55 Ibid.

56 PRO, T 230/353; Taylor - Johnstone, 4/7/57.

57 PRO, T 230/353; Johnstone - Stevenson, 8/7/57.

58 PRO, T 230/353; Long Term Transport Survey meeting, 9/7/57

adjustments in the short-term investment programme, as part of the Government's response to the run on the pound in September.⁵⁹

In parallel with this investigation, officials would 'consider whether road transport in general should be encouraged or discouraged'.⁶⁰ This resulted in a note on 'The Impact on the Economy of Inadequate Road Transport',⁶¹ which expressed misgivings about the methods used by the Road Research Laboratory (RRL) to justify road building - attaching financial values to assumed savings in drivers' time resulting from increased speed.⁶² However, this did not necessarily mean there was no case for road building⁶³ and, as one official remarked, 'this is one of those issues where the tangibles are so large... [and] judgement and politics are so big that they must enter very largely into the decisions'.⁶⁴ Like the LTST report, this note did not get far beyond setting out questions that should be explored, and concluded that past experience and available data should be studied to try and assess the cost of improving road transport by a measurable amount and the cross-effects of investment in road and rail transport.⁶⁵ As an indication of the drift of Treasury thinking on transport towards the restriction of investment in rail, Clarke sent Stevenson, in May 1958, a Financial Times cutting on the financial problems of railways in the USA with the comment '*prima facie* evidence that capital investment is not the cure-all... the evidence points increasingly to the need for cutting down the whole system to what is commercially viable on a basis to charge what the traffic will bear'.⁶⁶

59 PRO, T 230/353; Clarke - Percy Faulkner [MTCA under secretary], 30/12/57; T 234/522, Inland Transport: Long-Term Problems, part two; Clarke - Bruce Fraser [Treasury third secretary]/Sir Thomas Padmore [Treasury second secretary], 9/9/59.

60 PRO, T 230/353; LTST meeting, 9/7/57.

61 PRO T 230/353; Treasury Economic Section, 'Impact on the Economy of Inadequate Road Transport - A Preliminary Note', 2/10/57.

62 Ibid; PRO, T 230/353; Grant - Clarke, 8/7/57; Vinter - Clarke, 22/7/57; Clarke - Watts, 25/8/57.

63 PRO, T 230/353; Clarke - Watts, 28/8/57.

64 PRO, T 230/353; Vinter - Clarke, 22/7/57.

65 PRO T 230/353; Economic Section, 'Impact on the Economy of Inadequate Road Transport - A Preliminary Note', 2/10/57.

66 PRO, T 234/562, BTC: Financial Position and Prospects, part D; Clarke - Stevenson, 22/5/58, enclosing cutting: Financial Times, 22/5/58, 'Deepening Crisis

As part of the activity following the collapse of the BTC's 1956 prospectus in autumn 1958, a Treasury principal was asked to review the papers on the BTC. He concluded that the railways' freight prospects had been undermined by a decline in coal traffic, which would not be reversed when the economy picked up, and by a fall in merchandise traffic, and that the LTST's 'attempt to distribute notionally between road and rail traffic was extremely arbitrary and depended, apparently, on assurances about railway competitiveness which it is now time to call in question'.⁶⁷ In March 1959, Glover sent Watts the results of a road freight survey he had conducted in 1958 - a repeat of the 1952 exercise which the LTST had used. This illustrated that the ton-mileage of railway freight had declined more quickly in 1957-8 than in 1951-6, and that the ton-mileage by road, which had virtually matched rail in 1955-7 (despite petrol rationing resulting from the Suez crisis), had increased during 1958 in almost inverse proportion to rail's decline.⁶⁸ Further analysis revealed that the LTST's estimate of a 0.7 per cent increase in total freight traffic for every one per cent increase in GDP should be revised down to 0.3 - 0.5 per cent. The estimates for rail freight in 1970 dropped accordingly. The implication was that the railways would be carrying only five per cent more freight in 1970 than in 1958, while the pressure on road space would only be marginally less than originally forecast, as road freight accounted for barely 40 per cent of the road space occupied by all vehicles.⁶⁹ In May, Watts reported that the estimated coal output for 1965 was now 210 million tons not 240 million,⁷⁰ so even the reduced figures for railway freight carryings were now too high. That summer, the Economic Section (Watts), the Ministry (Glover) and the CSO (Stedman-Jones) examined the implications

for US Railways'.

67 PRO, T 234/555, BTC: Modernisation Plans, including Reappraisals, part G; A. Ogilvy-Webb [Treasury principal], 'The BTC and the Railways', November 1958.

68 PRO, T 230/354, Long-Term Survey of Transport Requirements, part four; Glover - Watts, 16/3/59, covering draft 'Statistics of the Transport of Goods by Road', see in particular Chart Two.

69 PRO, T 230/354; Watts - Bryan Hopkin [Deputy Director, Treasury Economic Section], 8/5/59.

70 PRO, T 230/354; Watts - Hopkin, 29/5/59.

of the road freight survey.⁷¹ They concluded that the ratio of increased freight traffic to increased GDP was likely to decline still further and 'road is obviously gaining at the expense of rail'.⁷²

This kind of research influenced Whitehall's examination of the Re-appraisal in the second half of 1959 (discussed in Chapter Five). Officials were now coming to the conclusion that the Commission had overestimated the amount of traffic it could win back from the roads.⁷³ Watts concluded that the majority of the unexpected deterioration in the BTC's position in 1958 was in line with traffic trends which had been disguised in 1956 and 1957 by the effects of the Suez crisis, rather than a consequence of the recession.⁷⁴ Shortly afterwards, Ernest Marples arrived at the Ministry and, in December 1959, began pressing the Prime Minister for more roads spending.⁷⁵

Henshaw attaches great significance to Marples' share in the road construction firm Marples Ridgway.⁷⁶ Marples had resigned as managing director in November 1951, shortly after he became a junior Minister, and had received no payment from the firm since then, other than expenses. However, by 1960, his share of the firm (some 80 per cent) had come to be worth something in the region of £350,000 - £400,000.⁷⁷ After his appointment, this was clearly in breach of the rule that Ministers must not allow a conflict

71 PRO, T 230/354; Hopkin - Watts, 11/5/58; Stevenson - Ogilvy-Webb, 19/5/58; Watts - Hopkin, 26/5/59; Hopkin - Watts, 1/6/59; Glover - Watts, 2/7/59.

72 PRO, T 230/355, Long-Term Survey of Transport Requirements, part five; 'Road Transport of Goods', covered by Watts - Hopkin, 30/7/59.

73 PRO, T 234/556, BTC: Modernisation Plans, including Reappraisals, part H; Ogilvy-Webb - James Mark [Treasury assistant secretary], 29/7/59; MT 132/11, BTC: Capital Investment 1960; Robert Lang [MoT Director of Finance] - J. Hampson [MoT deputy secretary], 17/12/59.

74 PRO, T 234/556; Watts - Hopkin, 9/7/59.

75 PRO, PREM 11/3577, Records of Meetings Between the Prime Minister and the Minister of Transport; note of meeting, 14/12/59.

76 David Henshaw, The Great Railway Conspiracy - The Fall and Rise of Britain's Railways Since the 1950s, (Hawes: Leading Edge, 1991), p.110.

77 PRO, PREM 11/4943, Ministers' Directorships: Ernest Marples; Marples - Macmillan 15/1/57; 'The Marples interest in Marples Ridgway and Partners', 22/1/60 covered by Sir Frank Lee [Treasury Joint Permanent Secretary] - T. Critchley [Home Office (the affair was dealt with by Home Secretary "Rab" Butler in Macmillan's absence)], 22/1/60.

of interest to arise or *appear to arise* between their official and private work,⁷⁸ as Marples Ridgway tendered for road-building work. Matters came to a head in January 1960 when the 'Londoners' Diary' column of the Evening Standard reported that Marples Ridgway had won the contract for the Hammersmith Flyover.⁷⁹ The potential embarrassment was increased by the fact that a lower tender from another firm had been rejected (for the entirely proper reason that it had not matched the specifications for the job). The tender was in fact handled by the London County Council, not the Ministry, although MoT engineers were asked to, and did, endorse the rejection of the lower tender on engineering grounds.⁸⁰ Marples had begun arranging to sell his share of the firm in October 1959.⁸¹ However, he attempted to do so in a way which left him open to the charge that his partner, Mr Ridgway, was acting as an agent to ensure Marples could buy back the shares when he left office (giving Marples an incentive to see the firm do well). This was scuppered by the Attourney General, Reginald Manningham-Buller, and, having sold his shares, Marples was careful to ensure that any contracts awarded by the Ministry to his old firm were approved by other Ministers.⁸²

Marples liked to see himself, and to be seen, as a man of action. Reporting to Macmillan in August 1960 he wrote: 'the crucial point is that on all fronts we must retain the initiative and keep moving all the time'.⁸³ It was no coincidence that when the cartoonist Vicky caricatured Macmillan's Cabinet as a football team, Marples was the

78 PRO, CAB 129/91; Macmillan, 'Questions of Procedure for Ministers', C(58)45, 24/2/58 [my emphasis].

79 PRO, PREM 11/4943; cutting: Evening Standard, 22/1/60. The story appeared in several other papers the following morning - Ibid; cuttings: The Times, Daily Mail, Daily Express, Daily Herald, Daily Sketch and Daily Telegraph, 23/1/60.

80 PRO, PREM 11/4943; Dunnett - Lee, 22/1/60.

81 PRO, PREM 11/4943; Elsie Abbot [Treasury Establishment Officer], note for the record, 29/10/59.

82 PRO, PREM 11/4943; Manningham-Buller - Butler, 25/1/60; Anthony Phelps [Macmillan's private secretary] - Tim Bligh [Macmillan's Principle Private Secretary], 30/1/60; Marples - Sir Alec Douglas-Home [Prime Minister], 24/3/64.

83 PRO, PREM 11/3577; Marples - Macmillan, 9/8/60.

centre forward.⁸⁴ Anthony Sampson saw Marples as exemplifying a new breed of 'manager-politicians',⁸⁵ whose views on high policy were of interest to no-one, but who had the talents required for the efficient management of departments such as the MoT: 'Parliament is better at throwing up talkers than doers, but these men run counter to this rule'.⁸⁶ Christopher Booker took a different approach to anatomy in his The Neophiliacs; but, like Sampson, he saw the arrival at Cabinet level of ex-grammar school boys such as Marples as symptomatic of a change in the Conservative Party.⁸⁷ Marples' apparent dynamism could be a double edged sword, as two comments from Richard Hardy's portrait of Marples illustrate. He had 'plenty of experience of sharp practice';⁸⁸ or, if you prefer, 'perhaps his greatest gift was to locate a single objective and to get there, never mind how'.⁸⁹ To Sampson, Marples appeared to run his department 'without much care for Parliament'.⁹⁰ He was unable to conceal the 'deep personal antipathy'⁹¹ between himself and Sir Brian Robertson from his contemporaries.⁹² This was bad politics on Marples' part, as he knew he needed Robertson's co-operation in the year leading up to the General's replacement by Dr Beeching in June 1961.⁹³ Similarly, he

84 Centre for the Study of Cartoons and Caricature, University of Kent, Canterbury; Evening Standard, 19/1/61; reproduced in Richard Lamb, The Macmillan Years - The Emerging Truth (London: John Murray, 1995), endpapers.

85 Anthony Sampson, Anatomy of Britain, (London: Hodder and Stoughton, 1962), p.63.

86 Ibid., p.88. Sampson's other examples, rightly or wrongly, were Selwyn Lloyd, Henry Brooke, and Reginald Bevins.

87 Christopher Booker, The Neophiliacs - A Study of the Revolution in English Life in the Fifties and Sixties, (London: Collins, 1969), p.122.

88 Richard Hardy, Beeching - Champion of the Railway?, (London: Ian Allan, 1989), p.38.

89 Ibid., p.39.

90 Sampson, Anatomy of Britain, p.145.

91 David Williamson, A Most Diplomatic General - The Life of General Lord Robertson of Oakridge, Bt GCB GBE KCMG KCVO DSO MC 1896-1974, (London: Brassey's, 1996), p.207.

92 Sampson, Anatomy of Britain, p.543.

93 PRO, PREM 11/3147, Discussions on Reorganisation of BTC, part three; Marples - Macmillan, 16/2/60.

helped his critics to portray him as disparaging the railways by the tone of an anecdote he told at the 1960 Conservative conference about a crane he had once had moved by train, some part of which the railways had lost.⁹⁴

Marples' character helped convey the impression that he was taking the lead in changing transport policy, and provided ammunition for the argument that he was in some way prejudiced against the railways. However, in contrast to Sampson's description of him as a doer rather than a thinker, Sir James Dunnett, Marples' Permanent Secretary at the MoT, recalled him as being:

a great publicist, and he was interested in new ideas, but he had not much effect as far as the railways were concerned... he wasn't awfully good at following through.... it's difficult to put your finger on what he actually achieved but he certainly stirred things up... encouraged people to have ideas.⁹⁵

Sir Geoffrey Wardale felt that Marples 'saw that things were on the right lines and pushed it along'.⁹⁶

There is no question that Marples was an enthusiastic road builder. In this respect he followed his two predecessors. Late in 1954 the Ministry had sought approval for an annual road programme of £60 million per annum but had been left with one of £40 million. By 1957, it had concluded that roads should be improved to accommodate a 75 per cent increase on the traffic levels of 1954 by 1970 and the LTST concluded that this was an underestimate.⁹⁷ Throughout 1957, Watkinson, who believed his 'first priority was obviously that of getting a national road programme moving at any cost',⁹⁸ pressed for more road spending.⁹⁹ By the time Marples arrived, the annual cost of the roads

94 Tony Benn (Labour, Bristol South-East), House of Commons, Official Report, 26/10/60, cols 2389-90. Benn quoted the Railway Gazette: 'It is the Minister's duty to be objective and not objectionable'.

95 Interview with Sir James Dunnett, 11/4/95.

96 Interview with Sir Geoffrey Wardale, 24/4/98.

97 PRO, T 230/353; LTST Report, p.26.

98 Harold Watkinson, Turning Points - A Record of Our Times, (Salisbury: Michael Russell, 1986), p.70.

99 See Watkinson, Turning Points, Chapter Four: 'Rolling out the Roads' pp.67-92. For contemporary examples: PRO, T 230/351; Grant - Clarke, 7 2 57; meeting on Road Programme, 25/2/57; Grant - J. D. Rae [Treasury principal], 10/4/57; draft of Grant -Reep Lintern [MTCA under secretary, Highways Administration Group], 11/4/57; T 230/352, Long-Term Survey of Transport Requirements, part

programme for England and Wales had reached £60 million and the Ministry were pressing for £90 million.¹⁰⁰ Preparing a list of topics for consideration by the new Government prior to the 1959 General Election, Treasury officials expected an expansion of the road programme to be 'the first priority of the next Minister of Transport'.¹⁰¹

Pressure from the roads lobby undoubtedly encouraged Boyd-Carpenter and Watkinson to act.¹⁰² However, the pressure for new roads had a strikingly broad base, 'the motoring lobbies were joined by employer and employee associations... Labour... [and] Conservative [MPs]... there was a wide consensus, and the environmental and social issues that were to infuse the roads debate during the seventies received negligible attention'.¹⁰³ Indeed, in 1946 the Labour Government had drawn up plans for 800 miles of motorway, which were only abandoned because of cuts in expenditure.¹⁰⁴ The Treasury was not yet part of this consensus, however. By 1959 one Treasury official wrote with a air of resignation that he expected, 'an ever-increasing demand for investment in roads... [which] will serve only to a small extent to produce new economic benefits'.¹⁰⁵

This approach was also evident in Clarke's reaction when, at the National Council for the Motor Manufacturing Industry in May 1959, the Society of Motor Manufacturers and Traders (SMMT), supported by representatives of motor industry unions, asked the Government to conduct a study of 'the potential growth of the industry and the

two; Rae - Grant, 3/5/57; note of a meeting between Watkinson and Peter Thorneycroft [Chancellor of the Exchequer], 9/5/57.

100 PRO, T 230/355; Samuel Goldman [Treasury assistant secretary] - Stevenson, 2/9/59.

101 PRO, T 278/3, Sir Thomas Padmore Papers: Business for Submission to Ministers on Formation of New Government; J. McAulay [Treasury principal] - Fraser, 16/9/59.

102 John Boyd-Carpenter, Way of Life, (London: Sidgwick and Jackson, 1980), pp.108-9; Watkinson, Turning Points, pp.68-9.

103 Starkie, The Motorway Age, p.8.

104 Ibid., pp.1-3.

105 PRO, T 230/355; Mark, 'Inland Transport', 16/12/59.

implications for the economy'.¹⁰⁶ The SMMT hoped that this inquiry would lead to a greater appreciation of the motor industry's importance and consequently to more account being taken in Whitehall and Westminster of its needs.¹⁰⁷ Although the study used SMMT predictions of future traffic levels,¹⁰⁸ it would be a mistake to assume that the SMMT were given the opportunity to make a self-fulfilling prophecy. In fact, the Economic Section thought the SMMT estimates of future car ownership for the rest of the decade were, if anything, too low.¹⁰⁹ Clarke, who chaired the Committee, was pursuing an agenda which would surely have alarmed the SMMT. He hoped that the report would predict the growth in car traffic in the next decade - assuming consumers' choice was given free play - and 'the economic and other Governmental implications of this - in particular... the attendant costs'.¹¹⁰ The 'nub of the whole project', however, was to establish 'for Treasury benefit only... whether we wanted to slow down the rate of growth as well as expanding the attendant social investment'.¹¹¹ However, the study was unable to answer this question, as it got nowhere on the question of attendant costs, because the Ministry was not equipped to make the necessary estimates.¹¹² Nevertheless, during 1960, evidence mounted in favour of more investment in roads and less in rail.

The cross-examination of the BTC by Treasury and MoT officials on the Re-appraisal had now unearthed information which the Ministry's Statistics Division had been seeking for years.¹¹³ The Division used this information to conclude that:

106 PRO, T 224/256, Committee on Motor Industry Prospects: Minutes and Papers; Committee on Motor Industry Prospects [MIP], first meeting, 17/7/59.

107 Ibid.

108 PRO, T 234/522; Mark - Clarke, 27/7/59.

109 PRO, T 224/256; Economic Section, 'Note on the SMMT's forecast of the growth of Car Ownership', January 1960, MIP(60)3.

110 PRO, T 224/340; Clarke - Vinter, 2/2/61.

111 Ibid.

112 PRO, T 224/340; Clarke - Vinter, 2/2/61.

113 PRO, MT 115/280, Railway Investment Programme: Reappraisal of the Railway Modernisation Plan and Progress Towards Financial Break-Even, part two; Glover, undated note on a BTC paper 'The Financial and Economic Effects of the Plan for Modernisation and Rationalisation of British Railways'. From its position in the file, Glover's paper seems to have been produced in July 1959.

there are wide ranges of activity carried on by the railways which do not pay and these activities can now be fairly well identified... cutting out these activities would seem to be a much more promising line of approach to railway solvency than further heavy investment. It is certainly difficult to see why the Commission should make any effort to increase merchandise and stopping passenger traffic in the way that the plan contemplates.¹¹⁴

In February 1960, Marples received a copy of this paper which he passed to Macmillan.¹¹⁵

The following month, the Cabinet's Economic Policy Committee (EPC) referred Marples' request for a five-year road programme to a committee of officials under Sir Thomas Padmore,¹¹⁶ the Road Programme Committee, which reported to the EPC in July 1960.¹¹⁷ Influenced by the information arising from the Re-appraisal's examination, the Road Programme Committee's working party concluded that 'it does not look as if the railways could recapture sufficient [traffic] to make a significant reduction in the road programme possible',¹¹⁸ because a ten per cent increase in railway passenger and freight traffic (which it considered unlikely) would reduce road traffic by only five per cent on 1959 levels.¹¹⁹ Marples had already told Macmillan that a one per cent increase in the total annual road vehicle mileage would carry all the railways' general freight and a three-and-a-half per cent increase would allow all railway freight to go by road.¹²⁰ The general view of the EPC was 'that an expanded road programme should have a high priority among the calls on national resources. Investment in roads brought a rapid economic return in terms of [reducing] congestion and road accidents'.¹²¹ It passed this view to the Cabinet with the Road Programme Committee's advice that the

114 Ibid.

115 Ibid, copy in PRO, PREM 11/3147; covered by J. Garlick [Marples' Private Secretary] - Marples, February 1960.

116 PRO, CAB 134/1685, EPC (EA) Meetings, 1960; tenth meeting, 23/3/60.

117 PRO, CAB 134/1687, EPC (EA) Papers, 1960; 'Report of the Road Programme Committee', EA(60)62, 8/7/60, para.8.

118 Ibid., annex [working party report], para.65.

119 Ibid.

120 PRO, PREM 11/3147; Garlick - Marples, February 1960.

121 PRO, CAB 134/1685; EA(60), nineteenth meeting, 13/7/60.

five-year motorway programme, desirable in principle, should not, however, be settled until a clearer picture of railway investment had emerged. The Cabinet accepted this view, but gave Marples most of what he had asked for in 1961-2 and 1962-3.¹²²

The Road Programme Committee's working party had set out the arguments for and against influencing competition in favour of the railways.¹²³ On the one hand, the railways were vital for certain traffics (for example, coal and steel), which, unlike much road traffic, were of economic importance (as opposed to leisure or convenience). Large sums had been spent on the railways and, as spending would continue to be required to maintain their essential services, why make it harder for them to earn a return on that investment by encouraging road competition? On the other hand, congestion was already serious, and would not be eased significantly by any success in winning traffic on the railways' part. The roads already carried more than half of goods traffic and 'it would be unwise to hamper this traffic and indeed it ought to be facilitated'.¹²⁴ It concluded that 'if it were decided to check road transport it would mean increasing taxation, curtailing 'C' licences and generally hampering the purchase of motor vehicles, and this would have to be done at once because of present congestion'.¹²⁵ Dunnett opposed restricting 'C' licence traffic on the grounds that 'at least one of the merits of our present policy is that we know what transport is costing the state... on the whole I would prefer to face the situation that the railways are in need of a subsidy than to place restrictions on the development of 'C' licences'.¹²⁶ Nevertheless, by 1963, MoT officials had not ruled out making private car ownership more expensive and still believed that it might 'prove desirable to restrict 'C' licences'.¹²⁷

122 PRO, CAB 129/102; Selwyn Lloyd [Chancellor of the Exchequer], 'Road Programme', C(60)115, 15/7/60; CAB 128/34; Cabinet conclusions, CC(60)43(4), 19/7/60.

123 PRO, CAB 134/1687; EA(60)62, 8/7/60, annex, para.68.

124 Ibid.

125 Ibid.

126 PRO, MT 115/77, Railway Investment Programme: Reappraisal of Railway Modernisation Plan; Dunnett, 'The Railway Problem', 4/1/60.

127 PRO, MT 96/169, Long-Term Transport Policy Steering Group (Hall Group): Policy; note of a meeting of MoT officials on the Interim Report of the Hall Group, 2/1/63.

Any restriction on car ownership that went far enough to benefit the railways carried potentially damaging economic implications, and was clearly a political non-starter for a government committed to increasing the standard of living. In the early 1960s, the positive benefits of car-ownership carried more weight than the negative effects of congestion and pollution. Christopher Booker's The Neophiliacs acknowledged the car's place at the heart of the times:

[in 1958] there was a feeling of modernity and adventure that would never be won so easily again. For never again would so many English families be buying their first car, installing their first refrigerator, taking their first continental holiday... that dawn of the age of affluence.¹²⁸

Three-quarters of a million people were directly employed by the motor industry in 1959.¹²⁹ Although the industry 'suffered a dramatic relative decline in efficiency, competitiveness, and world importance'¹³⁰ between 1945 and 1979, this did not become apparent until the 1970s.¹³¹ As the Committee on Motor Industry Prospects put it:

since the war the motor industry has... achieved and will no doubt continue to hold, a most important place in the economy... the progress of the motor industry is clearly a matter of very great interest to the Government both because of its economic importance and its physical and social effects. Through the investment which it has recently agreed to undertake in areas of local unemployment it has now become an important instrument of the Government's employment policy. It forms a valuable source of revenue.¹³²

Although the report did predict that the motor industry would expand less rapidly in future, it anticipated that increasing numbers of people would be employed in serving and maintaining cars, and that 'motoring would account for a growing proportion of consumers' expenditure for some time to come'.¹³³ When he drafted a paper on 'The Economic Case for Road Building' for the study on motor industry prospects in 1959, Watts 'kept off the general arguments that "cheap" transport is essential to our competitive

128 Booker, The Neophiliacs, p.132.

129 PRO, T 224/256; SMMT, 'The Motor-car in Britain in the 1960's', MIP(59)4, 23/7/59.

130 Peter Dunnett, The Decline of the British Motor Car Industry: The Effects of Government Policy, 1945-79, (London: Croom Helm, 1980), p. 15.

131 Ibid., pp. 148-9.

132 PRO, T 298/197, MIP 'The Motor Industry in the 1960s - Report by a Group of Officials', June 1960, p.21.

133 Ibid.

power in the export markets and that our rate of growth is primarily dependent on a growing market for cars'.¹³⁴ Nevertheless, he was aware of them.

The political impossibility of restricting car ownership inevitably led to more road-building, despite the view of at least one Minister that:

our balance of payments position made it hardly possible to support both the present increase in private motoring and the extension of the road system to keep pace with it... the road programme should therefore be related to the needs of industry rather than private motoring.¹³⁵

This was a fairly meaningless statement, as congestion did not discriminate between types of traffic, and so without improvements to roads, freight traffic would be held up by car-generated jams.¹³⁶ The pressure for more road spending was influenced after 1962 by predictions of car-ownership levels developed at the RRL, which predicted far greater car numbers in the 1970s than turned out to be the case (because the RRL used Government predictions on population growth which were equally inaccurate).¹³⁷ The argument that road freight vehicles were not paying a fair share of their costs seems to have been submerged in the difficulties of weighing up the costs and benefits of new roads. When it was considered, however, by the Geddes Committee on Carriers Licensing in 1965, and an MoT enquiry in 1968, the argument was rejected.¹³⁸ These findings partially reflected the lack of weight attached to the environmental consequences of road traffic.¹³⁹

The implications of the increasing importance of road transport for the railways had already been raised at the Treasury. In September 1959, Treasury assistant secretary, Samuel Goldman argued that motorways 'are so superior to the ordinary roads that they

134 PRO, T 234/522; Watts - Mark, 6/8/59.

135 PRO, CAB 128/34; Cabinet conclusions, CC(60)25(4), 11/4/60.

136 PRO, T 230/355; Mark, 'Inland Transport', 16/12/59.

137 Starkie, The Motorway Age, pp.134-5.

138 Terence Gourvish, British Railways 1948-73 - A Business History, (Cambridge: Cambridge University Press, 1986), p.393. Sources: Report of the Committee on Carriers' Licensing (Chairman: Lord Geddes), (London: MoT, 1965) and Road Track Costs, (London: MoT, 1968).

139 Ibid. Gourvish makes this comment on the 1968 MoT study.

will have a tremendous impact on road users'¹⁴⁰ and that this would intensify competition for long-distance traffic. He put the question to Stevenson that: 'if... £1600 million of capital investment is only designed to make the carriage of existing freight and a slightly increased number of passengers profitable for the railways, what happens if both passenger and freight traffics actually fall?'.¹⁴¹ He supplied an answer too: 'it seems to me to raise much more the question of the appropriateness of the railway investment programme than that of the road programme'.¹⁴² The Treasury paper on 'The Economic Case for Road Building' argued that investment was 'determined by the choices we make as to the kind of society we want to live in and the relative importance which we attribute to the different kinds of benefit we can obtain from using the economic resources at our disposal',¹⁴³ and if - as it seemed - 'we have decided that we want the motor car and there seems no possibility of that desire being either abandoned or deliberately frustrated',¹⁴⁴ then it was inevitable that a network of adequate roads and railways would have to be provided. However, this did not 'condemn us to allowing each to develop on whatever scale those responsible for them think necessary... [generally] the guiding aim ought surely to be to adapt public investment policy to developments in order to provide the facilities needed as economically as possible'.¹⁴⁵

Combined with the recognition of a general trend 'away from railways to roads',¹⁴⁶ this view led to the conclusion that investment in the railways should enable them to do 'as economically as possible what only they can do and no more',¹⁴⁷ and that 'no railway line outside the main network should be kept open where public road transport can do the job'.¹⁴⁸ These views are cited as an indication of the trend in official

140 PRO, T 234/522; Goldman - Stevenson, 2/9/59.

141 Ibid.

142 Ibid.

143 PRO, T 234/522; Mark, draft, 'The Economic Case for Road Building', 6/10/59.

144 Ibid.

145 Ibid.

146 Ibid.

147 Ibid.

148 Ibid.

thinking rather than as policy decisions; nevertheless, it is clear that policy eventually followed similar lines. In November 1960, the Economic Planning Board responded to the Treasury's report on Motor Industry Prospects by asking officials to make a study of 'the implications of increased car-ownership for other aspects of national policy'.¹⁴⁹ By March 1961, when Clarke wrote to the Ministry, setting out the questions which this study might answer, the possibility of discouraging the general growth in road traffic had disappeared from his agenda.¹⁵⁰

What of the "micro" question - the comparison of specific road and rail projects? In 1959, Sir Reginald Wilson, the BTC Financial Comptroller, argued that cost-benefit techniques should be applied to railway investment and that increased speed from improved track and signalling and improved conditions for employees should be considered as benefits in such an equation.¹⁵¹ This was rejected in a paper by John Brunner, an economic adviser in the Economic Section, which argued that Wilson was 'abusing economic terminology'¹⁵² because these benefits should enable the railways to attract more passengers and offer lower wages respectively - in other words they would ultimately be reflected in the railways' profit and loss account. Brunner was not, however, opposed to cost-benefit studies in principle and went on to argue that 'the only real social benefit conferred by the railways is the contribution they make to the relief of road congestion. This is clearly of immense value to the community'.¹⁵³

The failure to find a common measure of road and rail investment is best explained by the complexity and novelty of the task. It was only in the early 1960s that cost-benefit studies were carried out on transport projects and these were isolated

149 PRO, T 298/47, EPB Minutes, 1960; eighth meeting, 7/11/60. The Economic Planning Board was a tripartite talking shop with 'no real power' (Peter Hennessy, Whitehall, (London: Secker and Warburg, 1989 [Fontana edition, 1990]), p.153. See also, Keith Middlemas, Power, Competition and the State. Volume One: Britain in Search of Balance 1940-61, (London: Macmillan, 1986), p.137).

150 PRO, T 224/340; Clarke - Dunnett, 14 3 61.

151 PRO, T 234/522; Wilson, text of speech on 'The Economics of Transport with Special Reference to Road-Rail Questions in the UK', presented to the British Association for the Advancement of Science, 8/9/59.

152 PRO, T 234/522; J. Brunner [An Economic Adviser in the Treasury Economic Section] - Mark, 15/10/59.

153 Ibid.

investigations.¹⁵⁴ Watts believed that it was both possible and desirable to apply the sort of calculations that the RRL had developed for roads to rail; however, the existing criteria for road schemes was not considered satisfactory. 'The Economic Case for Road Building' criticised the RRL's methods on the grounds that they confused social and commercial returns on investments and ignored diseconomies (for example reduced rail traffic as a result of better roads), and that some benefits were either not assessable or were difficult to measure in practice.¹⁵⁵ With a system of assessing road projects which it felt was of questionable value (aside from allotting priorities within the road programme) and with cost-benefit analysis still in its infancy, at least as far as Whitehall was concerned,¹⁵⁶ it is unsurprising that, as the deficiencies in the BTC's investment programme became apparent during 1959 and 1960, officials concentrated on subjecting railway investment to financial criteria which would at least produce a positive benefit to the public purse, and which did not contradict contemporary Whitehall opinion on the "macro" aspect of the transport question.

Clarke was happy for the MoT to lead the study of the implications of increased car ownership, because 'changes have taken place at the Ministry of Transport'¹⁵⁷ and the new Permanent Secretary, James Dunnett (who had replaced Jenkins in April 1959¹⁵⁸), was aware of the importance of the road/rail question.¹⁵⁹ Robertson's biographer has

154 Christopher Savage, An Economic History of Transport, (Hutchinson: London, 1959 [2nd edition, 1966]), pp.203-4. Savage cites the following studies: Coburn, Beesley and Reynolds, The London - Birmingham Motorway, Road Research Technical Paper No. 46, 1960; Foster and Beesley, 'Estimating the Social Benefit of Constructing an Underground Railway in London', Journal of the Royal Statistical Society [JRSS] Series A (General), vol.126, part one, 1963; and Foster and Beesley 'The Victoria Line: Social Benefits and Finances', JRSS Series A (General), vol.128, part one, 1965.

155 PRO, T 234/522; Mark, draft, 'The economic case for road building', 6/10/59.

156 Interview with Sir David Serpell, 3/4/95.

157 PRO, T 224/340; Clarke - Vinter, 2/2/61. The MTCA had become the MoT following the creation of a separate Ministry of Aviation after the 1959 General Election.

158 Gourvish, British Railways, p.299.

159 PRO, T 234/522; Clarke - Fraser/Padmore, 9/9/59; Clarke - Stevenson, 1/10/59.

described Jenkins as an important ally of the BTC chairman;¹⁶⁰ certainly, he seems to have been relatively untroubled by the railways' position.¹⁶¹ One former colleague felt that Dunnett 'changed the whole attitude of the Ministry which had been pretty fuddy-duddy under Gilmour Jenkins... by a prodigious effort of will'.¹⁶² Previously the Ministry had tended to make:

a basic assumption that the railways were the railways were the railways... the whole attitude of the Ministry was to back up the railways... no-one had really appreciated the vast expansion of road traffic... it's easy to think now "they must have been blind", but it wasn't quite like that at the time... [One] should not underestimate the difficulty of turning a Government department round... the inherited attitudes just go on and [are] passed on from the seniors down to the juniors.¹⁶³

The Cabinet Secretary, Sir Norman Brook, found the new Permanent Secretary 'more vigorous and forceful than his predecessor. For the first time for years', he told Macmillan, 'I have confidence that the organisation of [the Ministry] is being vigorously overhauled'.¹⁶⁴

The top post was not the only one to change hands, Ira Wild's departure as Financial Director, which preceded Dunnett's arrival, and the arrival of Raymond Le Goy and Terence Bird as assistant secretary and under secretary responsible for the railways respectively, helped change attitudes and reduce Sir Reginald Wilson's influence at the Ministry (although it is impossible to divorce these developments from the effect of the BTC's failing credibility).¹⁶⁵ In March 1960, Dunnett, having reached the conclusion that the MoT did not have a deputy secretary capable of handling the railway problem, arranged the transfer of David Serpell from the Treasury.¹⁶⁶ There, Serpell had worked with Sir Richard Powell, Permanent Secretary at the Ministry of Defence, to develop 'a technique of forward analysis of [spending] programmes for five years ahead, and later

160 Williamson, A Most Diplomatic General, p.204.

161 Gourvish, British Railways, p.299.

162 Interview with Sir Geoffrey Wardale, 24/4/98.

163 Ibid.

164 PRO, PREM 5/233, Ministerial Appointments, 1959-60; Sir Norman Brook [Cabinet Secretary] - Macmillan, 28/6/60.

165 Private information.

166 Letter from Sir David Serpell, 4/4/95; interview with Sir James Dunnett, 11/4/95.

even for ten'.¹⁶⁷ During the 1950s, the Ministry's Statistics Division had been somewhat neglected, and led by officials who knew little or nothing of economics and statistics. It was not until Muriel Venning arrived from the Board of Trade (BoT) in 1960 that the division was led by a statistician.¹⁶⁸ Glover, a statistician in the Division since 1946, had raised doubts about the railways' prospects over a number of years (including during the LTST exercise) but with little response, despite mounting evidence based on statistical trends.¹⁶⁹ Now, like the Treasury, the upper levels of the Ministry were more receptive to this kind of warning.

In December 1958, Dunnett told the Treasury that he wanted a study of future transport needs to see 'just how large a railway system we really needed',¹⁷⁰ In January 1959, the Ministry began a study of what the railways' future position was likely to be, by extrapolating existing trends on the basis of different assumptions and then asking what measures would be necessary to bridge the gap between these results and the break-even point.¹⁷¹ Later that month, Glover produced a paper based on three different sets of assumptions about the economy and the railways' performance, which concluded that 'there is no prospect of profitable employment for a railway system of the size the Modernisation Plan is creating',¹⁷² and estimated an overall loss in 1970 of between £247 million and £432 million.¹⁷³ It was in this new atmosphere that the Ministry examined the Re-appraisal during the second half of 1959. This is discussed in the following chapter, but, as already indicated, the process threw up statistics supporting the view that the railways' future prospects would make little difference to the need for

167 Clarke, Public Expenditure, p.8.

168 Interview with Kenneth Glover, 20/2/97.

169 Ibid; interview with Sir Geoffrey Wardale, 24/4/98. For an example of Glover's views see PRO, MT 65/336, Railway Freight Traffic Trends; Glover, note of 9/11/56.

170 PRO, T 234/555; meeting of Treasury and MoT officials, 23/12/58.

171 PRO, MT 115/279, Railway Investment Programme: Reappraisal of the Railway Modernisation Plan and Progress Towards Financial Break-Even, part one; meeting of 8/1/59.

172 PRO, MT 115/279; 'The Future Position of the Railways' covered by Glover's minute of 16/1/59; and improved figures enclosed in Glover - Lang, 20/1/59.

173 Ibid.

investment in roads. This prompted Bird to question whether it was worth spending such large sums of money to achieve the BTC's target traffic levels and to ask: 'if losses are to be sustained by public funds, what are the basic transport services which the railways alone can and must continue to perform?'¹⁷⁴

Dunnett appreciated the need for a better idea 'of what the transport picture is likely to be in twenty years' time',¹⁷⁵ and the significance of 'sound and imaginative economic advice',¹⁷⁶ in obtaining such a view. He felt the MoT's economic and scientific resources were 'minimal, if existent at all',¹⁷⁷ and during his period as Permanent Secretary (he moved to the Ministry of Labour at the end of 1962), a number of initiatives aimed at improving planning and statistics took place at the MoT. In June 1960, Dunnett obtained Treasury approval to set up a long-term planning group in association with the Statistics Division of the MoT,¹⁷⁸ and began by establishing a Working Group on Inland Transport Statistics 'to review the existing statistics and to consider what sort of statistical information would be required to answer the kind of policy question which was likely to come up in the next few years'.¹⁷⁹

The working group consisted of officials from the Ministry, BoT, the Treasury and the CSO, and consulted with the RRL. Its report, completed in July, emphasised the necessity for 'a long-term view of what is likely to be needed'¹⁸⁰ and called for surveys of users of both passenger and goods transport, although the exact machinery for conducting these was yet to be established.¹⁸¹ It also recognised the short-term need for

174 PRO, MT 115/77, Railway Investment Programme: Reappraisal of Railway Modernisation Plan; Bird, note, 8/10/59.

175 Sir James Dunnett, 'The Civil Service Administrator and the Expert', lecture to the Royal Institute of Public Administration, 10/4/61; reprinted in Public Administration, vol.39, autumn 1961, p.224.

176 Ibid.

177 Ibid., p.226.

178 PRO, MT 96/169; Dunnett - Sir Harry Melville [DSIR Permanent Secretary], 20/6/60.

179 PRO, MT 124/98, Interdepartmental Working Party to Consider Railway Statistics; Report, July 1960, para. 1.

180 Ibid., para. 3.

181 Ibid., para 48.

‘more limited studies designed to fill the more important gaps’,¹⁸² including the need to ‘throw light on British Railways’ activities’.¹⁸³ Officials believed, however, that ‘the Commission is unlikely to be able to produce some of the information needed at present’¹⁸⁴ and that a much closer relationship was required between the Statistics Division and British Railways. The report also recommended more studies of road transport and recognised that more information was required on the costs of congestion.¹⁸⁵ The report concluded that:

the greater part of the work will... fall on [the MoT] Statistics Division, [which]... would require substantial additions to its staff to enable it to tackle this work and with its present complement could not even undertake much of the preliminary work necessary for such an expansion in the range of our statistical knowledge.¹⁸⁶

Dunnett was aware of the difficulties of attracting good economists to the Civil Service, and found it:

somewhat galling to read articles in economic journals based to some extent on evidence one has oneself given to Select Committees which then draw the conclusion that Government departments ought to have better economic advice but that those responsible in the Civil Service are slow to appreciate this.¹⁸⁷

Rectifying the position was not simple, it was difficult both to find statisticians and to train junior staff ‘in the rather specialised work of Statistics Division’.¹⁸⁸

As Lord Halsbury, the former Managing Director of the National Research Development Corporation, explained to Marples in 1963, the lack of economic and scientific expertise in the Ministry was a reflection of the view that ‘scientists are unappreciated in the Civil Service and unless they are all grouped together under one

182 Ibid., para. 3.

183 Ibid., para 47.

184 Ibid., para. 31.

185 Ibid., paras 47-9.

186 Ibid., paras 43-4.

187 Dunnett, ‘The Civil Service Administrator and the Expert’, Public Administration, autumn 1961, p.224.

188 PRO, MT 65/360, BTC: Railways; Current Trends in Traffic; note of meeting on Inland Transport Trends, 23/11/61.

scientific Ministry they will receive no attention'.¹⁸⁹ The Ministry in question was the Department of Scientific and Industrial Research (DSIR), which presided over the RRL until 1965.¹⁹⁰ Halsbury felt that research into a given area should be the responsibility of the relevant ministry. However, as he told Marples, there had been 'many years of debate' on this point and 'the argument has always been inconclusive with the result that the status quo has been preserved'.¹⁹¹ There was a lengthy history of departmental rivalry between the MoT and the RRL, which exhibited a tendency to push at the limits of its brief.¹⁹² Even while asserting their right to set the agenda for economic research on transport questions, MoT officials recognised that the RRL had better links with academics and 'the more go-ahead local authorities',¹⁹³ and tended to be seen as 'the "official" focus for research on economic matters'.¹⁹⁴

In early 1960 the Economics Committee of the RRL proposed a study which would have examined the probable transport requirements in 20-30 years. The Committee anticipated that most families would, by that time, have private transport and the standard of living would have approximately doubled (with far-reaching effects on the flow of goods).¹⁹⁵ Clarke and his Treasury colleagues shared MoT reservations about the proposal,¹⁹⁶ and Dunnett prevented the study from going ahead.¹⁹⁷ While there was

189 PRO, MT 96/168, Organisation and Staffing: Liaison Between the MoT and RRL on Economic Questions; Halsbury - Marples, 26/10/63

190 PRO, MT 96/168; Hampson, note, 1/4/65.

191 PRO, MT 96/168; Halsbury - Marples, 26/10/63

192 For example, PRO, MT 96/169; Venning - Dunnett, 31/5/60; Dunnett - Venning, 26/8/60; and a variety of documents in MT 96/168.

193 PRO, MT 96/168; Venning - Elizabeth Ackroyd [MoT under secretary], 6/12/62.

194 PRO, MT 96/168; draft brief for the Permanent Secretary on road research for the Committee of Enquiry into the Organisation of the Civil Service, covered by I. Lawman [MoT principal] - R. Heaton [MoT deputy secretary], 1/1/63.

195 PRO, MT 96/169; Hampson - Dunnett, 11/2/60; W. Glanville [Director, RRL] - Dunnett, 23/5/60.

196 PRO, T 234/522; Clarke - Mark, 1/2/60; Goldman - Stevenson, 4/2/60; Stevenson, note for the record, 8/2/60; P. Ross [Treasury assistant secretary] - Vinter, 28/3/60.

197 PRO, MT 96/169, Dunnett - Melville, 22/2/60 and 20/6/60; Glanville - Dunnett, 23/5/60.

a clear case for the policy-making department having control of the research agenda, it was unfortunate that this conflict took place at a time when there was a pressing need to harness the greatest expertise available for a study of future transport requirements.

The failings which dogged the various attempts to examine future transport trends described in this chapter help to explain a common criticism of Beeching's policy as BRB Chairman - that he ignored the place of railways in the transport industry as a whole. At the time, 'informed criticism stressed that the railways should never have been studied in a vacuum; instead the most cost-effective role for all forms of transport in the economy should have been studied in their totality'.¹⁹⁸ One contemporary critic, Roger Calvert of the National Council for Inland Transport, argued in 1965 that 'before we jump to any hasty conclusions about unwanted railways, we must also have for the roads (and also for the airways, waterways and coastal shipping), a complete survey of traffic flows and costs, to establish the true costs'.¹⁹⁹ Similarly, the authors of the 1965 study, Homes, Towns and Traffic subscribed to the view that Beeching 'aimed at "making the railways pay" in isolation from other transport'.²⁰⁰ In fact, Beeching wanted to undertake precisely the kind of comprehensive study his critics have accused him of ignoring.

In August 1960 the Ministerial Group on Modernisation (MGM) began its inquiry into 'the size and pattern of the railway system required to meet current and foreseeable needs'.²⁰¹ The MGM was an unusual body (the word 'Ministerial' reflects the fact that it was 'a sort of extension of the Ministry of Transport'²⁰²), which consisted of BTC representatives, MoT officials, the BoT Director of Statistics, Jack Stafford, and Beeching. Marples had hoped to chair the meetings but only attended the first, and his place was

198 Lamb, The Macmillan Years, pp.439-40.

199 Roger Calvert, The Future of Britain's Railways, (London: George Allen and Unwin, 1965), p.26.

200 John Tetlow and Anthony Goss, Homes, Towns and Traffic, (London: Faber and Faber, 1965 [paper-covered edition, 1970]), p.245.

201 PRO, MT 124/547, Ministerial Study Group on Modernisation; MGM, first meeting, 4/8/60. The group was also instructed to consider railway modernisation and to examine certain specific investment projects.

202 PRO, MT 124/99, Continuing Body to Advise on Railway Modernisation (MGM): Establishment; Serpell - Dunnett, 19/7/60.

then taken by Dunnett (who was now Sir James).²⁰³ The MGM grew out of the Special Advisory Group on the BTC (SAG) appointed by Marples in April 1960 and discussed in the next chapter. The setting-up of the MGM was a response to the division in the SAG over whether to address the reorganisation of the BTC, as it were, head on, or to begin by assessing 'the inherent merits of rail transport, relative to alternative forms of transport'.²⁰⁴ Two SAG members, Dr. Beeching and Henry Benson,²⁰⁵ took the latter view, and the establishment of the MGM represented a compromise between the logic of their argument and the need for the SAG to produce some conclusions fairly quickly.²⁰⁶

In June, Beeching had been asked to prepare a paper 'setting out the considerations essential to the preparation of a sound modernisation plan'.²⁰⁷ His paper argued that the 1947 Act, as modified by its 1953 successor, set the Commission objectives which were 'not easily compatible',²⁰⁸ and that any attempt to prioritise these objectives needed to take account of the railways' role in the transport system as a whole. He therefore proposed a programme of investigation, beginning with 'a study of the flow of traffic in the country, over recent years, and of the railways' share'.²⁰⁹ This data would then be subdivided into types of passenger journey (commuting, inter-urban business; inter-urban pleasure; local business; local private; holiday; excursion) and freight classes which took account of distance, size and loadability.

In each category of traffic Beeching proposed a study of the following: the merits of rail relative to other forms of transport; previous trends; the likely effect of changes in

203 PRO, MT 124/101, MGM: Minutes; MGM meetings: 4/8/60, 24/8/60 and 31/8/60.

204 PRO, MT 132/79, SAG: Minutes and Papers; Beeching, 'Interpretation of the Terms of Reference of the Special Advisory Group', 3/5/60; Gourvish, British Railways, p.310.

205 An accountant from Cooper Brothers. The recruitment to the SAG of Beeching and Benson is described in the following chapter.

206 Gourvish, British Railways, pp.302 and 310-11.

207 PRO; MT 124/102, MGM: Preparation of Papers and Other Action Arising out of Meetings; Beeching, 'The Preparation and Presentation of Railway Modernisation Plans' 8/6/60, with later manuscript amendments by officials.

208 Ibid.

209 Ibid.

charges or quality of service; handling costs; and the effect of various improvements on costs or quality. These figures would then be applied to estimates of future traffic flows in the country to assess the railways' probable share, given various possible improvements and taking account of likely developments in other forms of transport. A programme of investment could then be drawn up to make those improvements most likely to allow the railways to fulfil their proper role.²¹⁰ The civil service members of the MGM met Beeching shortly before its second full meeting and agreed that 'the BTC must be made to realise that the way to approach a modernisation plan was from traffics'.²¹¹ Two statistical studies would be required, 'one on the present costs of carrying various traffics, and the other on future traffic trends'.²¹² However, the Ministry did not have the resources to carry out the costing exercise, and if the Commission did, it was felt to be the wrong body for the job. Instead 'three or four people could be handpicked from industry or elsewhere'.²¹³ Beeching's paper on modernisation, which had been written as a commentary on what the railways should have already done or should do in future, was now redrafted by officials and presented to the BTC as a background paper.²¹⁴

The MGM accepted that the study of future trends would take over a year to conduct.²¹⁵ At its third meeting, on 31 August, a sub-group, which included Beeching, was established to liaise with the Ministry's Statistics Division over the costing study. Venning and the BTC's Economics Officer, David Glassborow, considered the study of future trends,²¹⁶ and divided it between a market research survey of factors affecting

210 Ibid. In addition, he drew up a list of nineteen points which should be answered in relation to each specific project.

211 PRO, MT 124/100, MGM: Briefs for Meetings; 'Second meeting of the MGM, note for the Chairman on points to be put to the BTC', 11/8/60; MT 124/101; P. Sheaf [MoT principal, MGM secretary] - Serpell, 12/8/60.

212 Ibid.

213 Ibid.

214 Ibid.; PRO, MT 124/102; Beeching, 'The Preparation and Presentation of Railway Modernisation Plans' 8/6/60, with amendments by officials; T 298/188; the same document printed as MGM paper 1, dated August 1960; Sheaf - Beeching, 15/8/60; Sheaf - Permanent Secretary's Office, 16/8/60.

215 PRO, MT 124/101; MGM, second meeting, 24/8/60.

216 PRO, MT 124/101; MGM, third meeting, 31/8/60.

both total demand for transport and choice of mode; and an economic study of 'railway traffics and their likely future development in the light of developments in the industries generating [them]'.²¹⁷ According to Venning, the only change from Beeching's original approach was that the economic study would begin from 'an examination of specific railway traffics',²¹⁸ instead of transport as a whole, although a global approach might be used later to ensure the railway traffic estimates were realistic. However, this difference was crucial, as Beeching wanted a costings study that compared the merits of road and rail in different categories of journey. Levels of traffic available in the future could then be estimated for each category, to predict the total traffic best carried by rail, by road, and traffic for which the advantage of one or other was not clear. When Venning challenged this approach on the grounds that cost was not the chief determinant in industry's choice of transport, Beeching argued that the expense of improvements relating to other factors could be brought into the costs side of the survey. Venning accepted this in theory, but felt that 'in practice it means adding yet more to the enormous complexity of the exercise'.²¹⁹ Having discussed Beeching's proposals with Stafford and Glover, Venning reported to Serpell that such far-reaching studies appeared to present insuperable problems. Instead she argued that known trends in rail traffics and receipts could be used to forecast future trends; it would then be possible to use the cost studies to forecast the likely effect of these trends on the railways' revenue.²²⁰

Although the Commission and Venning both expressed doubts about the value of Beeching's proposals,²²¹ the chief problem was their impracticality. Venning's approach was 'almost completely dictated by the absence of data on either the railways or other forms of transport in the detail required'.²²² She managed to convince Beeching 'of the complete absence'²²³ of some the necessary data, but his response was that a

217 PRO, MT 124/100; Venning - Serpell, 16/9/60.

218 Ibid.

219 PRO, MT 124/100; Venning - Serpell, 10/10/60.

220 Ibid.

221 Ibid.

222 PRO, MT 124/100; Venning - Serpell, 16/9/60.

223 PRO, MT 124/100; Venning - Serpell, 10/10/60.

combination of research and estimation would enable figures to be produced. Clearly, this would have added still further to the complexity of the exercise. It had also become clear that the figures available for the economic study were by no means ideal and ‘for good statistics here, we must await the institution of a centralised statistical and accounting set up in the Commission’.²²⁴ Finally, it was proving virtually impossible to find an agency to conduct the market research study.²²⁵ Among the bodies considered was the DSIR, but Venning doubted its ability to do the job,²²⁶ and she and Serpell agreed that the undesirability of encouraging it to go beyond its usual brief outweighed any positive contribution it might make.²²⁷ The Ministerial Group never met again. There is no record of it being officially disbanded, and discussions were held with Beeching over the studies in November, but at the end of that month Dunnett felt there was no need to meet ‘just at present’,²²⁸ and the initiative appears to have been ‘overtaken by the nitty gritty of actually doing things’.²²⁹ Nevertheless, the exercise did produce a new modernisation programme from the Commission which contained ‘detailed service and line closure proposals’ for 1961-64.²³⁰

Following his arrival at the BTC in March 1961 (he became Chairman in June),²³¹ Beeching tried to build up a picture of total transport flows and the railways’ share of them, given various improvements and alterations to charges, by instituting ‘detailed studies about the character of the present railway traffics’.²³² These studies

224 PRO, MT 124/100; Venning - Serpell, 16/9/60.

225 PRO, MT 124/100; statistics division note, 15/9/60.

226 PRO, MT 96/169; Venning - Serpell, 16/9/60.

227 Ibid; PRO, MT 96/169; Serpell - Venning, 20/9/60.

228 PRO, MT 124/100; Dunnett - Serpell, 28/11/60.

229 Interview with Sir David Serpell, 3/4/95. Sir David, who was not a member of the MGM, was not certain what became of it, but his assessment of its probable fate is supported by the documents, which peter out with Dunnett’s note to Serpell on 28/11/60 (PRO, MT 124/100).

230 Gourvish, British Railways, p.402.

231 Ibid., p.322.

232 PRO, MT 96/169; note, ‘Long-Term Survey of Transport’, covered by Sir Robert Hall [Economic Adviser to the MoT] - Dunnett, 18/7/61.

reflected the aims Beeching had tried to achieve through the MGM, although they also drew on existing work within the BTC.²³³ They led to the publication in July 1962 of two maps showing the density of traffic on the railways - one for freight and one for passenger traffic.²³⁴ The maps showed that half the rail network carried only five per cent of freight traffic,²³⁵ and half the network carried four per cent of passenger traffic.²³⁶ Taken together, 92.5 per cent of rail traffic travelled on half the network.²³⁷

By the time that Beeching began this task, the light shed on the Commission's activities by the Re-appraisal and its subsequent analysis by officials had already led some to conclude that the general lines of future development would involve 'an expansion of road transport and a very large contraction of the railway system'.²³⁸ In January 1961, Venning believed that increased efficiency 'in the use of fuel, manpower etc, can be expected to yield only very marginal savings and it is only by the elimination of complete lines, services, stations or depots that substantial reductions in expenses can be achieved'.²³⁹ Although she felt that more information was required to locate the necessary savings, she was quite clear that the railways' costing services ought to be able to identify them, and that, unless the process of pruning was speeded up, the burden of subsidising unremunerative services from the profits of others would 'result in the loss of potentially valuable traffics'.²⁴⁰

The preparation of The Reshaping of British Railways (the Beeching Report) and the associated work at the Ministry, emphasised again the difficulties of the sort of statistical work discussed in this chapter. In October 1962, Beeching produced a new map showing freight not travelling by rail which was considered suitable for rail. However,

233 Gourvish, British Railways, p.403.

234 PRO, PREM 11/4548, Reorganisation of Railways: Discussions on the Beeching Plan, part six; BRB, freight map and press release, 13/7/62; passenger map and press release, 20/7/62.

235 PRO, PREM 11/4548; BRB, freight map and press release, 13/7/62.

236 PRO, PREM 11/4548; BRB, passenger map and press release, 20/7/62.

237 PRO, PREM 11/4548; Marples - Macmillan, 18/7/62.

238 PRO, MT 96/169; meeting of MoT officials, 3/5/61.

239 PRO, MT 65/360; Venning - Wardale, 4/1/61.

240 Ibid.

in December, the Board told MoT officials that the total of some 90 million tons of such freight was based on 'subjective estimates made by district commercial officers on the basis of their personal experience of the economics of handling traffic by rail and the known characteristics of each group of traffic'.²⁴¹ This was hardly the sort of scientific estimate Beeching had advocated in the MGM. Moreover, the difficulty in providing figures to support the case for withdrawing specific services (discussed in the Introduction, pp.14-6, and Chapter Six, pp.254-8) shows that even when the global picture seemed clear, individual cases could be complex.

An Interdepartmental Working Party on Railways (IDR), chaired by Serpell, was set up in November 1962 'to consider the British Railways Board's proposals for the future size and shape of British Railways and to advise Ministers thereon'.²⁴² Its report, submitted in July 1963, was unable to come to any firm judgement on Reshaping's financial estimates, due to a lack of information. The BRB could not relate the total savings and earnings under various headings in the Report to any specific timescale other than to comment that, if pursued vigorously, the proposals might eliminate the deficit by 1970.²⁴³ The Board was 'not yet able to provide detailed justification of their broad proposals'²⁴⁴ because their studies, for example of new handling methods, were still incomplete. The IDR concluded that while 'the Board can go a considerable way towards eliminating their deficit by measures of contraction for which the case has been made out in principle, and by the improved efficiency obtained by matters within the control of management',²⁴⁵ the measures designed to increase freight traffic 'are essentially more

241 PRO, MT 124/664, Railways Board: Formulation of Beeching Plan; Discussions with BTC; note of meeting, 4/12/62. The estimate proved to be extremely optimistic (Gourvish, British Railways, p.413).

242 PRO, CAB 134/2426, Cabinet Committee on Reorganisation of the Railways (R); Report of the Interdepartmental Working Party on Railways [hereafter IDR Report], R(63)11, 18/7/63, p.6. The following departments were represented: MoT (chair); Treasury; Board of Trade; Office of the First Secretary of State; Scottish Development Department, Home Office; General Post Office; and the Ministries of Labour, Power, Housing and Local government, Aviation, Agriculture, and Defence.

243 Ibid., p.28; BRB, The Reshaping of British Railways, (London: HMSO, 1963), p.60.

244 PRO, CAB 134/2426; IDR Report, p.28.

245 Ibid., p.29.

speculative'.²⁴⁶ The message of the IDR report was that the closure programme was the only measure offering a guaranteed improvement in the railways' financial position. The belief in the need for a contraction of the railway network did not mean, however, that the Ministry had "given up" on the railways - in 1962 a large bill for investment in the remaining system was anticipated²⁴⁷ - nor had it abandoned attempts to predict future transport trends.

The consequences of increasing urban traffic was a central question in transport policy in the early 1960s.²⁴⁸ By the Spring of 1961, the MoT and the Ministry of Housing and Local Government (MHLG) were discussing the establishment of a joint group on traffic and urban planning (this eventually took shape as the Working Party on Traffic Highways and Urban Development).²⁴⁹ At the same time, Clarke, having looked at how other countries had dealt with a 1:5 car: population ratio, had reached the conclusion that 'our real disability is the lay-out of our cities'.²⁵⁰ This was the subject of an inquiry conducted by a group led by Colin Buchanan (a former MHLG adviser and author of the 1958 book Mixed Blessing - The Motor in Britain), which reported in 1963,²⁵¹ and it was a question which caught Marples' imagination. In October 1962 he told Macmillan:

We are on the brink of a new motor age. Traffic will double by the 1970s, treble by the 1980s. Present plans will cope with traffic between towns. But in the towns congestion and stagnation will soon become intolerable - unless we radically step up the scale of our attack... [The Buchanan report] will inevitably show that the problem goes far wider than traffic. The people must come first. They must have environments fit to live in. They need to be saved from accidents, noise and fumes. ... Most of our old city buildings are ripe for renewal. ... Whole towns need redevelopment... We need to provide housing for 6 million more people by the end of the century... We must arrest the drift of people to the South. The North must

246 Ibid.

247 PRO, MT 96/169; G Division note, 'Work of the Hall Group', 19/1/62.

248 See for example, Savage, An Economic History of Transport, p.206.

249 PRO, T 298/199, Committee on Motor Industry Prospects (MIP) General Papers, part three; meeting of Treasury, MoT and MHLG officials, 17/3/61.

250 PRO, T 224/340; Clarke - Vinter, 2/2/61

251 PRO, PREM 11/5163, Roads and Road Transport: Need for Reorganisation Following Beeching Plan for the Railways, part two; Marples - Macmillan 1/7/63 enclosing a copy of the Buchanan Report.

be made live and attractive... What does all this amount to? No less than the rebuilding of most of our urban fabric.²⁵²

Macmillan considered setting up a Cabinet committee under Marples to consider these ideas,²⁵³ but they were subsumed into work on Macmillan's theme of modernising Britain instead (discussed in Chapter Six, pp.267-8).²⁵⁴

By the time Reshaping was published it was clear that simply rebuilding cities would not solve the problem of urban congestion. Following Sir Robert Hall's retirement as Chief Economic Adviser to the Government and his subsequent arrival at the MoT as Economic Adviser in the summer of 1961, a Long-Term Transport Policy Steering Group (the Hall Group) was set up to 'supervise the study by the Ministry... of the development of transport requirements over the next twenty years'.²⁵⁵ The stage which Whitehall's thinking on such questions had reached was evident from the fact that the Group's terms of reference invited it 'in particular, to consider the questions which this study should be designed to answer, the assumptions on which it should be based and the methods by which the necessary data should be sought'.²⁵⁶

252 PRO, PREM 11/4277, Minister of Transport's Proposals for Expansion of the Building Construction Industry; Marples, 'Rebuilding Urban Britain', 26/10/62 covered by Marples - Macmillan, 26/10/62 [original emphasis].

253 PRO, PREM 11/4277; P. Woodfield [Macmillan's private secretary] - J. Robertson [Private Secretary to the Cabinet Secretary], 1/8/62.

254 PRO, PREM 11/4277; Sir Burke Trend [Cabinet Secretary] - Bligh, 6/12/62. The progress of Macmillan's ideas on modernising Britain and the Steering Committee he established to this end, can be found in PREM 11/4520, Ministerial Discussions on Modernising Britain, part one and PREM 11/4521, Ministerial Discussions on Modernising Britain, part two.

255 MT 96/174, Hall Group: Report, part two; 'Interim Report of the Long-Term Transport Policy Steering Group', 20/12/64 [hereafter Hall Report], p.1. Although submitted as an interim report, this document was later published as the Group's final report. Apart from Hall, the Group's membership was: C.T. Saunders [Director of the National Institute of Economic and Social Research]; C.B. Winsten [Imperial College of Science - the Hall Group's Economic Adviser]; Sir Robert Shone [who moved from the chair of the Iron and Steel Board to become Director General of the National Economic Development Office (NEDO) during the course of the Group's work]; and representatives of the Treasury and, following its establishment, NEDO.

256 Ibid., p.1.

The Hall Report was published shortly before Reshaping.²⁵⁷ It addressed the problems of inter-urban and urban transport separately, but did not concern itself with 'transport in small towns and rural communities "off the beaten track"'.²⁵⁸ Its conclusions did not represent any great advance on the opinions held by officials in 1961, and The Spectator referred to it as 'an unambitious, occasionally pathetic little document'.²⁵⁹ Richard Lamb is mistaken, however, when he states that the Group's 'terms of reference forced it to study road transport in isolation... this made the report nearly valueless'.²⁶⁰ In fact, the report identified the problem of allocating investment between rail, urban roads and inter-urban roads as the one of two fundamental problems facing the Ministry, but was unable to find a common yardstick for assessing road and rail investment. Instead it recommended the development of improved investment criteria, further study on demand for transport - both as a whole and in relation to specific modes - and a study of the costs incurred by transport operators.²⁶¹ This, and the fact that 'the extent to which the railways would be able to attract freight traffic from the roads would have only a marginal effect on the road programme',²⁶² led Dunnett's replacement, Sir Thomas Padmore, and his subordinates to conclude that 'the proper levels of road and rail investment should... continue to be calculated separately'²⁶³ and 'the level of rail investment would continue to depend on the rate of return it was likely to earn'.²⁶⁴

257 PRO, MT 96/169; note of a meeting of MoT officials on the Interim Report of the Hall Group, 2/1/63.

258 PRO, MT 96/174; Hall Report, p.1.

259 PRO, PREM 11/4548; cutting: The Spectator, 8/3/63, 'Missed Opportunity', enclosed in Trend - Macmillan, 20/3/63.

260 Lamb, The Macmillan Years, p.440.

261 PRO, MT 96/174; Hall Report, 20/12/62, pp.16-7.

262 PRO, MT 96/169; note of a meeting of MoT officials on the Interim Report of the Hall Group, 2/1/63.

263 Ibid.

264 Ibid.

The second fundamental problem identified by the Hall Report was that of urban traffic.²⁶⁵ It broadly concluded that rebuilding alone could not solve the problem in larger towns.²⁶⁶ Traffic, especially private cars, would have to be regulated while:

the availability in certain cities of a rail network for internal and suburban passenger movement is the most hopeful feature of the situation. Rail transport in the cities which have it is an asset which should not be lightly eroded... there is in some cases a threat that railway lines which as part of their function serve commuter and other urban traffic, may be closed... this could prove an unfortunate decision and proposals of this kind should be carefully examined.²⁶⁷

Later the same year, the Buchanan Report brought the problem of urban road congestion and the potential role of public transport, including rail, in alleviating it, to the public's attention.²⁶⁸ It also made the point that transferring *freight* from road to rail would have only a limited impact on urban congestion, as the distribution of goods to their final destination would still generally be by road.²⁶⁹ The MoT took up the question of urban closures with the BRB during discussions over the likely nature of the new plan in 1962. In July, one official inquired whether the Commission would be putting any commuter services up for closure: 'I pointed out that these raised special problems and that we might perhaps wish to have advance consultation... on such services before they were formally proposed for closure'.²⁷⁰ He was told that the Commission had already explained to the Hall group that it 'had a reasonable expectation of making commuter services pay'.²⁷¹ He received similar replies to inquiries in October, although it was possible that the electric services on Tyneside might be closed.²⁷²

Reshaping drew a distinction between loss-making suburban services and other stopping trains. It argued that losses on these services could be reduced by raising prices

265 PRO, MT 96/174; Hall Report, 20/12/62, p.16.

266 Ibid., p.15.

267 Ibid., p.16.

268 MoT, Traffic in Towns, steering group report, paras 19-34; main report, p.195.

269 Ibid., p.37.

270 PRO, MT 124/664; Peter Scott-Malden [MoT under secretary] - Serpell, 20/7/62.

271 Ibid.

272 PRO, MT 124/664; Scott-Malden - Serpell, 16/10/62. The Tyneside services were not in fact put forward for closure.

and integrating suburban rail and municipal bus services.²⁷³ Beeching argued that in Glasgow, Edinburgh, Newcastle, Manchester, Liverpool, Leeds, Birmingham and Cardiff, ‘the pattern of life ... is dependent upon continued operation of suburban rail services, and to the life of London they are essential’,²⁷⁴ therefore these services should be subjected to Total Social Benefit Studies, and ‘it may be cheaper to subsidise the railways than to bear the other cost burdens which will arise if they are closed’.²⁷⁵ Nevertheless, Reshaping recommended the closure of several urban services. Lord Stonham, President of the National Council on Inland Transport, was a little over-enthusiastic in claiming that 131 proposals should be suspended on the grounds that they were in urban areas (one, Newcastle - Washington, had already closed because no-one had objected),²⁷⁶ but all the major conurbations were affected.

Richard Hardy has written that Beeching included some suburban services (he gives Manchester Picadilly - Hadfield/Glossop as an example) in the report knowing that ‘such a service would be saved by subsidy’.²⁷⁷ However, the BRB told the Ministry that those suburban services included in Reshaping’s list of closures were cases which would not ‘in their view... be altered by the introduction of new factors for judging social benefit’.²⁷⁸ - this was to be disproved in the case cited by Hardy (see Introduction, p.16). Officials were not convinced, and the IDR Report warned that: ‘this assertion will need substantiation in each case’,²⁷⁹ before stressing the need for urban planning to look well ahead and for closure proposals in an urban area to be considered together.²⁸⁰ Officials considered the problems raised by commuter line closures in urban areas to be

273 BRB, Reshaping, pp.20-2.

274 Ibid., p.20.

275 Ibid., p.22. See also, Beeching’s speech to an unidentified conference in 1964, quoted in Hardy, Beeching Champion of the Railway?, p.93.

276 PRO, CAB 134/2453, Cabinet Committee on Road and Rail Transport (RRT); Marples, ‘The Timetable for Passenger Closure Proposals’, RRT(63)2, 12/12/63.

277 Hardy, Beeching Champion of the Railway?, photograph caption between pages 96 and 97.

278 PRO, CAB 134/2426; IDR Report, p.22.

279 Ibid.

280 Ibid., pp. 22-23.

‘the major planning issue arising on the Beeching plan’,²⁸¹ and recognised that adapting the road network to accommodate displaced commuter traffic might be physically impossible in some areas and more expensive than subsidising the railways in others.²⁸² The BRB, some local authorities and one of the TUCCs had put pressure on the MoT to organise transport surveys, and preparatory work, ‘including the study of social benefit techniques’²⁸³ was underway in the expectation that ‘the whole urban transport problem will be highlighted by the publication of the Buchanan Report’.²⁸⁴

The question of urban closures illustrates the point which Whitehall’s transport planning had reached by 1963. Clearly, transport was being considered as a whole, but, equally, Whitehall was still coming to terms with the changes that were taking place in transport. It may be that the Ministry’s greater concern over urban closures represented the extent to which its thinking had moved on since Beeching’s appointment to the BRB. Even so, the definition of urban lines seems rather limited, with cities such as Bristol and Nottingham apparently excluded. Moreover, the idea that longer-distance services might also relieve congestion (as much inter-urban road traffic ended up as urban traffic) appears not to have been considered. In March 1963 Marples claimed that ‘we have not missed any major point in our drive for a balanced and co-ordinated [transport] system’.²⁸⁵ This was a typically bold statement; but in retrospect the elements of a co-ordinated policy can be detected. The railways were to concentrate only on what they could do profitably (with the emerging exception of their role in reducing urban congestion), the demands of road traffic should be accommodated outside of urban areas, and public transport in rural areas should be provided by bus. The great problem was how to deal with urban traffic. In retrospect, the extent to which road-building could solve this problem was overestimated, but this did not really become clear until the Greater London

281 Ibid., p.45.

282 Ibid., p.22.

283 Ibid.

284 Ibid.

285 PRO, PREM 11/5166, Reshaping of British Railways, Beeching part seven; Marples - Macmillan, 23/4/63.

Council's plans for urban motorways were subjected to 'a quite unprecedented volume of criticism',²⁸⁶ later in the decade.

The great hole in this policy was the lack of attention paid to the problems of rural buses. The countryside may not be criss-crossed with disused bus lanes slowly returning to nature, but, although the rail network has shrunk since 1945, in terms of passenger-kilometres, traffic has remained stable, while, by the same measure, bus and coach travel has roughly halved since 1950 (a decline which was essentially complete by 1981).²⁸⁷ Even as Beeching and Marples prepared to argue that buses could do the job of rural branch lines, the rise of car ownership was squeezing the margins of bus operators, and 'the 1960s was a decade of bus closures'.²⁸⁸ In fact, Marples argued in favour of subsidising rural bus services.²⁸⁹ This step had been the chief recommendation of a committee appointed by Watkinson to study the rural bus problem under Professor D. T. Jack in 1959. Jack had reported in March 1961, and a series of subsequent local studies had backed up his findings.²⁹⁰

By 1963 MoT officials felt the lack of a decision to subsidise rural buses was 'a gap in the Government's transport policy'.²⁹¹ Marples sought Cabinet approval for the measure 'on social and political rather than economic grounds'.²⁹² Despite the low cost (roughly £1 million per annum²⁹³), he failed to get his colleagues' support, largely

286 Philip Bagwell, The Transport Revolution, (London: Routledge, 1988) [First published as The Transport Revolution from 1770, London: Batsford, 1974], p.366.

287 Department of the Environment, Transport and the Regions (DETR), Department of the Environment for Northern Ireland, Scottish Office, Welsh Office, Developing an Integrated Transport Policy - An Invitation to Contribute, (London: DETR, 1997), Chart Two, p.6.

288 Bagwell, Transport Revolution, p.361.

289 PRO, CAB 129/114; Marples, 'Rural Bus Services', C(63)152, 16/9/63.

290 Ibid.

291 PRO, MT 124/689, Government Transport Policy: Transport Problems in UK; Rural Transport Problems; draft brief for the Minister for Cabinet discussion of rural buses, 13/9/63.

292 PRO, CAB 129/114; Marples, C(63)152, 16/9/63.

293 PRO, MT 124/689; draft brief for the Minister for Cabinet discussion of rural buses, 13/9/63.

because the MHLG objected on behalf of County Councils who would have paid 80-90 per cent of the cost. The MHLG argued that there was insufficient proof of real hardship resulting from the withdrawal of bus services and that encouraging smaller scale operation and car-pooling might provide an alternative solution. A series of experimental subsidised services was established but no conclusion had been reached when the Conservatives lost office.²⁹⁴

This chapter shows that, however enthusiastic Marples and his fellow Ministers may have been about road-building, within Whitehall there was an open-minded approach to the question of the future of road and rail, and the conclusions reached on this issue were based on an estimation of future demand. In the early 1960s, more was being done to provide an adequate transport system than at any time in the previous decade. The nature of this attempt was shaped by a number of factors: the impossibility of restraining the growth of motor-car ownership; the lack of information on current trends; the lack of expertise in transport economics and, in particular, in cost-benefit analysis; the apparent failure to appreciate the extent to which road building would generate traffic or the environmental consequences of the motor car.

The extent to which it may be said that Beeching addressed the problems of the railways in a vacuum reflects the limits within which it was realistically possible to examine the demand for transport. It is equally clear that Whitehall experienced real difficulty in compiling a picture of future trends. This resulted from the inescapable difficulties of transport planning, and perhaps the failure of Britain as a whole to get to grips with economics in the 1950s, as well as from the dearth of transport planning in Whitehall between 1951 and 1957. The policy towards rail which emerged in 1959-64, however, did not stem solely from the changing appreciation in Whitehall of what future transport needs would be. The realisation that the BTC's 1956 prospectus was no longer valid went hand in hand with the acknowledgement that the railway age was over, but the financial consequences of the former threatened to get out of hand so quickly that action

294 PRO, CAB 129/114; Marples, C(63)152, 16/9/63; Keith Joseph [Minister for Housing and Local Government and Minister for Welsh Affairs], 'Rural Bus Services', C(63)163, 20/9/63; CAB 128/37; Cabinet conclusions, CC(63)57(7), 24/9/63; PREM 11/5164, Transport Facilities in Rural Areas: Rural Buses; Correspondence with R. Spear, MP; Marples - Douglas-Home, 25/2/64; Marples, HoC, Official Report, 11/3/64, written answers, col. 61; 22/6/64, written answers, cols 26-7; 29/7/64, written answers, cols 316-7.

to reform the BTC could not wait until a clearer picture of future transport requirements emerged. This reform took place in the context of a wider attempt to restate the relationship between Government and the nationalised industries as a whole, and within a general post-Suez desire to modernise. These developments are discussed in the next chapter.

5: No Longer the Handmaiden

It was eventually accepted that the nationalised industries ought not to be looked upon as just the handmaidens of other policies.

The 1966 Treasury History of the 1961 White Paper, The Economic and Financial Obligations of the Nationalised Industries.¹

You can't have a confused set of motives... you can't say one day you're giving a service and ignoring the profit, and the next day that you're hoping to make it pay.

Dr. Beeching on the railways.²

On 10 March 1960, the Prime Minister, Harold Macmillan, addressed the House of Commons on the subject of Britain's railways. His statement was a well crafted piece of rhetoric which had been the subject of much effort on the part of Ministers.³ It offered what, today, would undoubtedly be called "a new deal for the railways". In return for the Government's acceptance in principle of the Guillebaud Report on railway pay, the unions and the public would have to accept the remodelling of the industry and of the modernisation programme to 'a size and pattern suited to modern conditions and prospects'.⁴ The public would also have to accept higher fares and the BTC would accept reorganisation.⁵ This statement was made in response to the Guillebaud Report. On top of the existing deficit, the financial implications of Guillebaud were, 'like in an old film where a girl has been tied to the railway track and you find there are *two* trains coming'.⁶ The statement was also a response to the fact that the Government could no

1 Public Record Office [PRO], T 267/15, Treasury Historical Memorandum Eleven; Peter Vinter [Treasury third secretary], foreword to Mrs Granger-Taylor [unidentified official], 'The Economic and Financial Obligations of the Nationalised Industries, White Paper of April 1961', May 1966 [hereafter, PRO, T 267/15].

2 Quoted in Anthony Sampson, Anatomy of Britain, (London: Hodder and Stoughton, 1962), p.545.

3 PRO, CAB 130/172, Ad hoc Committee on Transport Reorganisation (GEN 706); third-sixth meetings, 26/2/60, 4/3/60, 7/3/60 and 10/3/60; CAB 128/34; Cabinet conclusions, CC(60)15(5), 8/3/60.

4 Macmillan, House of Commons [HoC], Official Report, 10/3/60, col. 643.

5 Ibid., cols 633-4.

6 Interview with Sir David Serpell [MoT deputy secretary, 1960-63], 3/4/95.

longer justify loaning money to the BTC under the 1957 Transport (Railway Finances) Act because it no longer believed the BTC would ever be able to repay the loans; and to the growing belief in Whitehall that the BTC needed new management and a new organisation - irrespective of the effects on its prospects of "modern conditions".

This chapter examines how the Government arrived at its views on reorganisation (both of the BTC and the relationship between nationalised transport and government) and how effect was given to the intentions set out in Macmillan's statement. It begins by Whitehall's work on the reform of the nationalised industries to 1960. This is followed by an account of officials' examination of the Commission's investment programme and prospects during 1959 and early 1960, and the subsequent establishment and work of the Special Advisory Group (SAG), established in 1960 to examine the Commission and advise on its reform. The conclusions of this group and their subsequent implementation in the Transport Act, 1962 (*via* the White Paper of December 1960, Reorganisation of the Nationalised Transport Undertakings, [Cmnd. 1248]) are then reviewed with regard to investment, finance, commercial freedom and organisation. Finally, the reasons behind the absence from this reform of subsidies for specific loss-making, but socially desirable, services are discussed. This chapter argues that the developments which led to the reform of the BTC were underway before Marples became Minister of Transport after the General Election of October 1959, and that there was ample evidence of the need for reform. It concentrates on the work leading up to the White Paper rather than between the White Paper and the passing of the Act, because the major policy issues were generally settled in this period.

The BTC was subject to an almost constant process of investigation following the completion of its Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways (the Re-appraisal), in June 1959. An examination of this document by Ministry officials was completed shortly after the 1959 General Election. Their report went to the Treasury and a joint Ministry of Transport (MoT)/Treasury memorandum was completed in early 1960. Partly as a result of its conclusions, an *ad hoc* Cabinet committee of Ministers and officials, GEN 706, was established to consider the future of the BTC. This considered the broad principles of organisational reform and the primary task of the Special Advisory Group, established in April 1960, was to work out the details. The SAG completed its work in the autumn of 1960. Its recommendations, having been considered by a Cabinet committee of Ministers (supported by a committee

of officials), formed the basis of the White Paper on reorganisation published in December.

As the Treasury and the MoT prepared to draw up the joint memorandum on the Re-appraisal, their minds were concentrated by the news that the Select Committee on Nationalised Industries was to investigate the BTC in the new year, despite a plea from Marples (who could not imagine a worse time for such an enquiry) to the Chairman, Sir Toby Low (Conservative MP for Blackpool North), via "Rab" Butler (Home Secretary and Lord Privy Seal).⁷ The work of the Select Committee is not discussed in detail in this chapter, chiefly because it had little influence on the Government's policy. The SAG went about its task without paying much attention to the Select Committee's work,⁸ and by the time Low and his colleagues reported in July 1960,⁹ Government thinking had generally passed the point at which their thoughts were of any great consequence. The Select Committee Report did, however, raise questions which the Government was obliged to address in a White Paper,¹⁰ and brought attention to bear on the question of subsidies (as discussed below). It also made criticisms of previous Government policy and of the Commission, which were already clear to the officials studying the BTC.¹¹

A major programme of consultations between the MoT and the BTC took place under the acronym RENT (Reorganisation of Nationalised Transport) culminating with the

7 PRO, T 234/557, BTC: Modernisation Plans, including Reappraisals, part J; Marples - Butler, 5/11/59; T 234/302, Ministerial and Parliamentary Control of Nationalised Industries, part F; James Mark [Treasury assistant secretary], note, 3/12/59; Mark - Richard Clarke [Treasury third secretary], 7/12/59.

8 Interview with Sir David Serpell, 3/4/95.

9 House of Commons Select committee on Nationalised Industries, Report from the Select Committee on Nationalised Industries (Together with the proceedings of the committee, minutes of evidence and appendices) - British Railways (Cmnd 254), 11/7/60. [hereafter, Report of S.C. Nat. Ind.: BR].

10 Special Report from the Select Committee on Nationalised Industries: British Railways (Observations of the British Transport Commission and of the Minister of Transport) (Cmnd 163), (London: HMSO, 1961).

11 PRO, T 298/180, Select Committee on Nationalised Industries' Report on British Railways, 11/7/60: Comments of BTC and MoT; Matthew Stevenson [Treasury under secretary] - Clarke, 1/3/61. For example, Stevenson felt the criticisms of the departmental examination of the Modernisation Plan (Report of S.C. Nat. Ind.: BR, p.lxxxviii) were justified, and the changes in policy towards the nationalised industries described in this chapter implicitly accepted criticism of Ministerial intervention in the BTC's pricing policy (*Ibid.*, p.lxxxix).

publication of the Transport Bill in 1961. A division of the MoT (Railways C), under an assistant secretary, O. F. Gingell, was devoted solely to work on the Bill. This was subordinate to an MoT working party at which other divisions were represented. A parallel working party existed at the BTC and the two also met as a joint working party. A joint Steering Group oversaw this work, with deputy secretary David Serpell in charge at the Ministry and also responsible for consultations with other departments as necessary. On the MoT side, a vast number of files were generated, but only a very little of this work found its way into discussions between Marples and his fellow Ministers.¹² In contrast to 1951-3, the key decisions had been taken before work began on the Bill, and although the setting up of a new Ministerial committee to deal with the Bill was considered, it proved unnecessary. Two meetings of the Cabinet's Economic Policy Committee (EPC) dealt with almost all of the outstanding policy decisions (the exceptions are discussed below).¹³

The late 1950s saw a general rethinking of the Government's relationship with the nationalised industries, culminating in the publication of the White Paper Economic and Financial Obligations of the Nationalised Industries in April 1961. By 1959 the National Coal Board (NCB) had joined the BTC on the sick-list of nationalised industries, and the Treasury was also concerned about the Gas Council and the North of Scotland Hydro-Electric Board.¹⁴ In terms of financial disaster, however, the BTC was in a league of its own. At the end of 1959, its revenue and unallocated reserves showed a negative balance of £350.6 million. The next worst figure was that for the NCB, with a negative balance of a mere £52 million.¹⁵ The Commission's net income represented a return on

12 The RENT files are in PRO, MT 124. The role of the Railways C division is described in PRO, PRO Guide, Part One: History of Government, (Kew: PRO, 1998), 628/2/5. The structure of the various committees is set out in MT 124/210, Transport Bill 1961-62: Preparation of Legislation; Policy.

13 PRO, MT 124/210; Sir James Dunnett [MoT Permanent Secretary] - Sir Norman Brook [Cabinet Secretary], 24/2/61; Brook - Dunnett, 2/3/61; CAB 134/1689, EPC (EA) Meetings 1961; seventeenth meeting, 26/7/61, twenty-first meeting, 2/10/61.

14 PRO, T 267/15; p.15. Source: Brief for the Chancellor on the Padmore Report, 16/6/59, HOP 95/86/01B.

15 Treasury, Economic and Financial Obligations of the Nationalised Industries (Cmnd 1337), (London: HMSO, 1961), Table 1, p.1.

its net assets of *minus* 2.1 per cent. Of the other industries, only the British Overseas Airways Corporation (BOAC) showed a negative figure (minus 0.7 per cent).¹⁶

In 1966 the Treasury produced an historical memorandum on the background to this White Paper, which it believed had 'assumed a significance which has given it the status almost of "legislation by White Paper"'.¹⁷ The Treasury view that the White Paper had led to improved morale within the nationalised industries, more independent management, greater efficiency and increased self-financing was shared by the economic journalist Samuel Brittan¹⁸ (Brittan was not unreserved in his praise of the new policy, however,¹⁹ and the Treasury's positive view seems debateable today, to say the least.²⁰). Brittan argued that the new policy on the nationalised industries 'was achieved in spite of, rather than because of'²¹ the Ministers who took an interest. The Treasury history (a record 'of tactics rather than the evolution of ideas'²²) was only slightly less candid: the 1961 White Paper 'resulted from a policy initiated and formulated by officials',²³ who had recognised 'the need to give more precise financial requirements to the nationalised industries'.²⁴

The Treasury attributed the successful implementation of this policy 'to a change in the political and parliamentary climate... timing was all important'.²⁵ Growing concern about the industries among MPs had led to the establishment of a Select

16 Ibid., Table 3, p.12.

17 PRO, T 267/15; foreword.

18 Ibid.; Samuel Brittan, The Treasury Under the Tories, 1951-64 (Harmondsworth: Penguin, 1964), p.211.

19 Brittan, The Treasury Under the Tories, 1951-64, pp.96-9.

20 For example, see Jim Tomlinson, 'Conservative Modernisation, 1960-64: Too Little Too Late?', Contemporary British History, vol.11, No.3, autumn 1997, p.21.

21 Brittan, The Treasury Under the Tories, 1951-64, p.223.

22 PRO, T 267/15; p.1.

23 Ibid.

24 Ibid., foreword.

25 Ibid.

Committee on the Nationalised Industries in 1956, and was then fuelled by its reports;²⁶ while a small group of Ministers, chiefly Watkinson, Butler and Mills, wanted to give the nationalised industries 'a more commercial framework and to promote decentralisation'.²⁷ Percy Mills was an industrialist who Macmillan knew from the wartime Ministry of Supply and from his time as Housing Minister. Macmillan ennobled him in order to bring him into the Government as Minister of Fuel and Power in 1957.²⁸ After the 1959 General Election, Mills became Paymaster General - a kind of Minister of thought.²⁹ Sir James Dunnett (Marples' Permanent Secretary 1959-62) recalled that, as far as the railways were concerned, Marples 'just inherited what Watkinson had started... [and] after Watkinson had gone, a lot of the initiative came from Lord Mills'.³⁰

In October 1956 the Conservative Research Department established a Committee on Nationalised Industries under Butler, which recommended more decentralisation and that further consideration be given to the possible hiving-off of the nationalised boards' activities.³¹ Early in 1958, Butler sought Watkinson's views on the Government's long-term policy on the nationalised industries.³² Watkinson felt that at the next election the Conservatives should 'oppose nationalisation with denationalisation which makes it a nice simple issue for the average voter'.³³ This would entail granting nationalised industry boards the power to sell part or all of their undertakings while their finance would be 'gradually transferred from Government account to the open market as efficiency and

26 Ibid., p.1.

27 Ibid., foreword.

28 Alistair Horne, Macmillan 1957-86, Volume Two of the Official Biography, (London: Macmillan, 1989), pp.9 and 142.

29 Sampson, Anatomy of Britain, p.145.

30 Interview with Sir James Dunnett, 11/4/95.

31 John Ramsden, The Making of Conservative Party Policy, (London: Longman, 1980), pp.198-9.

32 Ashridge Management College, Watkinson papers [AMC/WP]; Box I, MoT folder; Butler - Watkinson, 29/1/58 and 18/3/58.

33 AMC/WP; Box I, MoT folder; draft Watkinson - Butler, February 1958.

profitability increased'.³⁴ In June 1956, Watkinson had suggested that the railway regions and the various BTC subsidiary groups should have separate accounts.³⁵ Now he also proposed that the railway regions should have full time chairmen who would sit on the BTC. The Commission's non-railway constituent parts, although still subject to central control, would be given greater independence.³⁶

Watkinson had discussed his ideas with Mills,³⁷ and in December 1958 they and Butler wrote jointly to Macmillan suggesting that a committee of officials be appointed to identify, and suggest remedies for, common problems in the organisation of the nationalised industries and in their relations with the Government. Macmillan agreed.³⁸ The committee was chaired by Treasury second secretary Sir Thomas Padmore and contained the Permanent Secretaries of the Ministry of Transport and Civil Aviation (MTCA), the Ministry of Power and the Scottish Office, and Richard Clarke of the Treasury.³⁹ The Padmore Committee was acquainted with Ministers' thinking in a paper from Mills in February 1959. He felt that nationalisation would be 'one of the major issues at the next election'.⁴⁰ The Government therefore needed to 'crystallise our... policy... by promising further measures of commercialisation applied to all nationalised industries'.⁴¹ Mills proposed that the existing boards should 'become finance and policy

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- 34 AMC/WP; Box I, MoT folder; Watkinson, draft, 'Nationalised Industries', with draft covering letter to Butler, February 1958.
 - 35 AMC/WP; Box I, BTC folder; Watkinson - George Stedman [MTCA deputy secretary], 19/6/56.
 - 36 AMC/WP; Box I, MoT folder; Watkinson, 'Policy for Nationalised Industries' covered by Watkinson - Butler, 11/2/58.
 - 37 AMC/WP; Box I, MoT folder; Watkinson - Mills, 7/3/58; BTC folder; Watkinson - Butler, 3/4/58.
 - 38 PRO, PREM 11/3440, Problems of the Nationalised Industries: Appointment of Official Committee, 1959; Publication of White Paper on Nationalised Industries, 1961; Butler/Mills/Watkinson - Macmillan, (undated but read on 23/12/58) with Macmillan's manuscript addition.
 - 39 PRO, CAB 134/2251; Nationalised Industries (Official) Committee (NIC), Sir Norman Brook [Cabinet Secretary] 'Terms of Reference and Composition', NIC(59)1, 28/1/59.
 - 40 PRO, T 267/15; p.6. Source: Mills, minute of 6/2/59 HOP 95/86/03a.
 - 41 Ibid.

making bodies only... [with] no share in day-to-day management which would be devolved onto a regional organisation with its own... Boards'.⁴²

The committee reported in June 1959. It recommended that the nationalised industries should continue to be organised as commercial bodies (rather than on departmental lines in the manner of the Post Office), and generally favoured reorganisation along the lines of the gas industry, with a central holding company and powerful regional boards.⁴³ It made suggestions for the decentralisation of the BTC and the coal industry.⁴⁴ Under these proposals, inland waterways, canals and London Transport would be removed from the BTC and the regional railway boards would hold their own assets, although the central authority would retain responsibility for the system as a whole.⁴⁵ Dunnett and other Ministry officials had discussed the merits of decentralisation, regional accounting and the separation of London Transport from the BTC in January 1959.⁴⁶ The Padmore Committee began drafting a White Paper. Padmore hoped this could be published in spring 1960, followed by legislation to reorganise the NCB in the 1960-61 Parliamentary session and the BTC the following year.⁴⁷ In June, the committee's report was referred by Macmillan to a Ministerial committee (NIM) consisting of Butler, Mills, Watkinson, Derick Heathcoat Amory (Chancellor of the Exchequer), John MacLay (now restored to health as Secretary of State for Scotland), Iain Macleod (Minister of Labour), Reginald Maudling (Paymaster General), and, because the committee was also to discuss the future of the Post Office, Marples, who was Postmaster General.⁴⁸

42 Ibid.

43 Ibid., p.8. Source: 'Report of the Official Committee on Nationalised Industries', NIC(59)17, 1/6/59.

44 Ibid., p.14. Source: NIC(59)17, 1/6/59.

45 Ibid., p.9.

46 PRO, MT 115/279, Railway Investment Programme: Reappraisal of the Railway Modernisation Plan and Progress towards Financial Break-Even, part one; meeting of officials, 8/1/59.

47 PRO, T 267/15; p.15; Source: NIC(59), fifteenth meeting, 17/6/59.

48 Ibid., p.15.

The Padmore Committee's conclusions on organisation 'tended... [towards] the same direction as Conservative policy'.⁴⁹ However, while the committee's terms of reference only covered 'the organisation of the nationalised industries and their relations with the Government and with Parliament',⁵⁰ its members believed that:

financial problems were of the first importance in their bearing on the matters directly covered by these terms of reference; and that, unless a satisfactory settlement of these problems was found, the related problems of organisation and relations would become greater and more difficult.⁵¹

As its title suggests, the White Paper reflected these concerns more than the organisational interests of Ministers. The White Paper drew attention to the industries' dependence 'on the savings of others to finance their investment'.⁵² It argued that if their prices were too low, the demand for their services would be artificially stimulated, thereby increasing their investment requirements - 'thus the operation of the nationalised industries with an unduly low rate of return on capital is sooner or later damaging to the economy as a whole'.⁵³ It also argued that without a sound financial basis 'performance and morale are bound to be impaired'.⁵⁴ The White Paper did not, however, ignore the fact that the nationalised industries performed socially desirable non-commercial tasks, and, partly for this reason, stated that they should not be required to earn a commercial rate of return.⁵⁵ As for investment, the Treasury had quickly recognised that the fifteen per cent rate of return it would like to require, could not be imposed on the Transport Commission prior to reorganisation, but nevertheless felt that the ideal could be useful as a guide during the reorganisation process.⁵⁶

49 Ibid., p.8.

50 Ibid., p.6.

51 Ibid., p.14. Source: NIC(59)17, 1/6/59.

52 Treasury, Economic and Financial Obligations of the Nationalised Industries, p.5.

53 Ibid., p.6.

54 Ibid., p.4.

55 Ibid., p.6. The White Paper also pointed out that the nationalised industries were generally public utilities which, subject to the regulation of monopoly and offering less risk to investors and unable to adjust prices quickly, had traditionally paid a lower rate of return.

56 PRO, 267/15; p.10.

The conflict between the Treasury agenda and Ministers' views arose from officials' desire to reduce government intervention in price-setting and wages negotiations.⁵⁷ While Ministers generally welcomed the Padmore Committee's proposals for reorganisation as providing 'a valuable basis for legislation in the next Parliament',⁵⁸ the setting of financial targets raised the question of how much control Ministers should retain over charges. As Butler explained to the Cabinet: 'it might be that Ministerial intervention, since it would probably have to be more overt, should become less frequent'.⁵⁹ The Cabinet felt that the report required further consideration by officials and postponed consultation with the nationalised boards until after the election. Although Ministers agreed in January 1960 that the White Paper should appear that spring, several details were still outstanding.⁶⁰ Discussions with the boards took longer than anticipated and Ministers were consistently reluctant to abandon their informal control of nationalised industry's wages and prices.⁶¹ By the summer, officials were expressing anxiety at the slow pace of discussions,⁶² and one recorded dolefully that 'I am afraid some of the steam has gone out of the proposals'.⁶³

The starting-point for Ministerial work on Macmillan's statement was a memorandum presented to the EPC by Marples in February 1960. This warned that the Government could no longer justify loaning the Commission money to cover its deficit as there was no realistic prospect that such loans would ever be repaid. Marples proposed to pay a subsidy from the Ministry's annual vote as an interim measure. This would be accompanied by closer Ministerial control of the Commission's financial affairs and investment, and the writing-off of outstanding deficit advances totalling £293 million. In

57 Ibid., p.12. Source: Treasury note, 'Economic and Financial Framework for the Nationalised Industries', NIC(59)10, 13/3/59.

58 PRO, CAB 128/33; Cabinet conclusions, CC(59)24(5), 16/7/59.

59 Ibid.

60 PRO, 267/15; p.30. Source: NIM(60), first meeting, 11/1/60.

61 Ibid., pp.16-7 and 30. Sources: NIM(59), first meeting, 23/6/59; second meeting, 30/6/59; NIM(60), first meeting, 11/1/60.

62 Ibid., p.36. Source: minute of 7/6/60, 2PE 1/145/01A.

63 Ibid., p.37. Source: minute of 27/7/60, 2PE 1/145/01A.

the longer term, he was considering proposals for reorganising the Commission which would involve separating its constituent parts and altering its capital structure.⁶⁴ Marples' paper made three key points about the Re-appraisal's estimates of the BTC's financial position in 1963: its calculations were based on the results for 1957, but the Commission's performance had since deteriorated to such an extent as to invalidate this basis; it took insufficient account of future wage claims; and even on the Re-appraisal's figures, the BTC would be unable to meet its interest charges in 1964.⁶⁵ These criticisms arose from two investigations which predated Marples' arrival: the Guillebaud Committee of Inquiry into Railway Wages, set up by the BTC and the unions in 1958; and an examination of the Commission's Re-appraisal by MoT and Treasury officials.

In February 1959, Watkinson, who was expecting Guillebaud to report in May or June, set out his views in a paper for discussion with his officials. It contained much of the policy which Marples was to follow a year later. Watkinson wanted officials to consider warning the BTC 'that the present scale of modernisation will not be continued if they cannot make a good showing for the future that will stand up to investigation',⁶⁶ and believed some reorganisation of the BTC and its capital structure would be necessary. Watkinson's belief in the merits of decentralised management was reflected in his view that the Re-appraisal should contain separate accounts for each of the railway regions and for the BTC's non-railway activities. He also wanted clear figures on commercial policy and the profitability of modernisation schemes, and a significant reduction in railway track mileage and general operation. Finally, he favoured bringing in an industrialist, a chartered accountant and 'perhaps the head of Canadian Pacific [Railways]'⁶⁷ to consider the Re-appraisal.

In discussions over the prospective White Paper in 1956, and when opposing Treasury pressure for a cut in the Commission's borrowing the following January 1957, Watkinson had defended railway investment on the grounds that it was an alternative to increasing deficits, an argument which blunted questions about the soundness if the

64 PRO, CAB 134/1686, EPC (EA) Papers, 1960; Marples, 'Financial Problems of the Railways', EA(60)8, 28/1/60.

65 Ibid.

66 PRO, MT 115/279; Watkinson, note, February 1959.

67 Ibid.

investment itself.⁶⁸ However, by 1959 the onus was very much on the Commission to justify its programme, as a result of the continuing decline in the BTC's financial position and of the emerging transport trends and changing atmosphere at the Ministry described in Chapter Four. MoT officials expressed serious doubts about the Re-appraisal as the drafts arrived. It did not take the approach they had been looking for, being more of a defence of the Modernisation Plan than a reappraisal of it.⁶⁹ 'I am not impressed', wrote one official, 'by the attitude... that the 1956 concept was right all the time'.⁷⁰ The fact that the estimated position in 1963 was shown, but results for the intervening years were not, raised suspicions at the Treasury that the Commission had merely written 1958 off as an aberration, rather than concluding that their plans needed fundamental review.⁷¹ By this time it was clear that the 1958 downturn had carried over into the BTC's 1959 performance and that, far from 1958 being the exception, the railways' 1957 results had benefitted from restrictions on road transport arising from the Suez crisis.⁷² Watkinson and Macmillan were aware that the BTC's problems went deeper than was admitted in the Re-appraisal,⁷³ and it was published in July without Government endorsement.⁷⁴ Just before the Cabinet considered the Ministerial committee's views on the Padmore Report, the EPC approved Watkinson's recommendation that officials from the MTCA

68 PRO, CAB 130/116, Ad hoc Committee on Railway Policy, GEN 532; second meeting, 23/7/56; T 228/504, BTC Capital Investment Programmes 1956-60; Clarke - Stevenson, 31/1/57.

69 PRO, MT 115/279; Ray Le Goy [MTCA assistant secretary], 'The Position on the Re-appraisal', 8/6/59. Also, Wardale [MTCA assistant secretary] - Le Goy, 27/5/59; Robin Goodison [MTCA under secretary] - J. Hampson [MTCA deputy secretary], 3/6/59; Goodison - Hampson, 9/6/59.

70 PRO, MT 115/279; Wardale - Le Goy, 27/5/59.

71 PRO, MT 115/279; Goodison, note, 20/6/59.

72 PRO, MT 115/279; Le Goy, draft letter to Major-General Llewellyn Wansbrough-Jones [BTC Secretary General], 16/6/59.

73 PRO, PREM 11/3147, Discussions on Reorganisation of BTC. part three; Watkinson - Macmillan, 9/7/59.

74 PRO; CAB 134/1681, EPC (EA) Meetings, 1959; fourteenth meeting, 8/7/59.

and the Treasury study the Re-appraisal in detail, bearing in mind the recommendations of the Padmore Committee.⁷⁵

The Ministry's initial doubts about the Re-appraisal were strengthened when further information was obtained during meetings in August and September between BTC representatives and Geoffrey Wardale, of the Ministry's finance division, and Raymond Le Goy, the assistant secretary responsible for railways, leading to a report on the Re-appraisal,⁷⁶ completed days before the 1959 General Election. The exercise posed problems for the two officials. Robertson was certain to make a fuss if the BTC's figures were disbelieved, and this would earn them the displeasure of the Permanent Secretary; so they conducted their cross-examination of the Commission in neutral terms and only revealed their conclusion at the final meeting, by which time it was too late for the Commission to complain.⁷⁷ Wardale and Le Goy concluded that the Commission had been over-optimistic in estimating the amount of coal and general merchandise traffic rail would carry in 1963 and the value of coal traffic per ton, and that passenger earnings would be at the lower end of the BTC's forecast. They concluded that 'the working surplus of the Commission is likely to be £35-50 million in 1963',⁷⁸ not £50-100 million (£18-68 million for the railways), as forecast in the Re-appraisal.⁷⁹ This meant the Commission could not repay its debts, as by 1963 its central charges would be £83 million (later this was revised upwards to £90 million⁸⁰). After 1963, this burden would increase, as the amounts in its suspense account began to incur interest. This raised a

75 Ibid.

76 PRO, MT 115/77, Railway Investment Programme: Reappraisal of Railway Modernisation Plan; Wardale/Le Goy - Terence Bird [MoT under secretary]/Robert Lang [MoT Director of Finance], 5/10/59.

77 Interview with Sir Geoffrey Wardale, 24/4/98.

78 PRO, MT 115/77; Wardale/Le Goy, 'BTC Railways Reappraisal, Departmental Examination with the Commission's Officers of the British Transport Commission's Reappraisal Report', 5/10/59 [hereafter, MoT Report on Re-appraisal].

79 MTCA, Re-appraisal of the Plan for the Modernisation and Re-equipment of British Railways (Cmnd 813), (London: HMSO, 1959), pp.29-31.

80 PRO; T 234/557; joint Treasury/MoT report on the Re-appraisal, covered by J. Garlick [Marples' Private Secretary] - P. Myers [Lord Mill's Private Secretary], 5/2/60.

serious problem. There was no specific legislative authorisation for the Commission to receive grants rather than loans. As accounting officer (the person responsible to the House of Commons Public Accounts Committee), Dunnett was in a 'most unsatisfactory'⁸¹ position, if he believed that the Commission would never be able to repay the money it was borrowing for investment and to cover the deficit. Worse still, it now appeared that in addition to the £1,660 million cost of the Modernisation Plan, the Commission intended to spend a further £1,000 million by 1970. Despite the Commission's arguments that due weight was given to financial considerations in making investment decisions, Wardale and Le Goy 'were left with the impression that the "public service" element, or operational or technical considerations, were in fact often given greater weight'.⁸² The report also raised the possibility that the financial justification for electrifying the Euston - Manchester main line was weaker than had been suggested.⁸³

Meanwhile, the Treasury took a similarly sceptical view of the Re-appraisal. Initially, the reaction to its publication was that it was 'defensible'.⁸⁴ This was the only positive comment, however. Critics pointed to the vagueness of 'the BTC's assessment of what went wrong';⁸⁵ of the closure proposals (see Chapter Three, pp.138-9); and of the relationship between individual schemes and the investment programme as a whole. Nor was it easy to compare the Re-appraisal to the financial results forecast in the Modernisation Plan.⁸⁶ The BTC's competence was obviously called into question, although it was not clear to what extent its failings reflected poor treatment of costs, the assumption 'that a better service will pay off without going further into the question',⁸⁷

81 PRO, MT 115/280 Railway Investment Programme: Reappraisal of the Railway Modernisation Plan and Progress towards Financial Break-Even, part two; note of meeting, 6/8/59; interview with Sir Geoffrey Wardale, 24/4/98.

82 PRO, MT 115/77; MoT Report on Re-appraisal.

83 Ibid.

84 PRO, T 234/556, BTC: Modernisation Plans, including Reappraisals, part H; Mark - Stevenson, 18/6/59.

85 PRO, T 234/556; A. Ogilvy-Webb [Treasury principal] - Mark, 20/7/59.

86 Ibid.

87 PRO, T 234/556; Ogilvy-Webb - Mark, 20/7/59.

or a 'sense of obligation to provide a necessary public service'.⁸⁸ Officials believed that the Commission simply spent as much as it could (and as the Government could be persuaded to part with) on modernisation.⁸⁹ They feared that the railways' attempt to maintain their share of general freight 'suggests large expenditure on a task which may be hopeless and indeed pointless';⁹⁰ and doubted the extent to which the railways could raise passenger fares 'without losing so much of their traffic that their plans for the size of the system become unrealistic'.⁹¹ By the time the Treasury received the MoT report, Stevenson was convinced that a change in policy was required to avoid the incorporation of subsidies into BTC finance and a needless duplication of public investment in transport.⁹²

The final joint memorandum did not substantially alter the conclusions of the MoT report. It was more specific and more damning. It brought out the fact that the Commission calculated the return on its investments only on the "betterment" element of its investment (the cost of modernising a particular facility minus the cost of maintaining it at existing standards). The Treasury calculated a return on the investment of under two per cent. The full horror of the post-1963 position was spelled out: interest payable under existing debt structure would rise from £90 million in 1963 to £145 million by 1968; if investment continued at the current rate then the 1968 total interest burden would be £200 million, requiring a £100 million improvement in the Commission's annual performance between 1963 and 1968. Finally, Guillebaud's report was 'likely to lead to a substantial increase in railway wages which may *by itself* invalidate the Commission's forecast'.⁹³

In December 1959, an MoT report on the BTC investment programme for 1960-2 concluded that the BTC had given priority to 'technical efficiency and operational need rather than... economic return, which in many instances is low and appears insufficient to

88 PRO, T 234/557; Mark, minute of 27/10/59.

89 Ibid.

90 PRO, T 234/556; Ogilvy-Webb - Mark, 29/7/59.

91 PRO, T 234/556; Ogilvy-Webb - Mark, 29/7/59.

92 PRO, T 234/557; Stevenson - Clarke, 12/10/59.

93 PRO; T 234/557; Joint Treasury/MoT report on the Re-appraisal, covered by Garlick - Myers, 5/2/60 [my emphasis].

service fully the capital involved'.⁹⁴ MoT under secretary, Terence Bird, told MoT Director of Finance, Robert Lang, that if the rates of return uncovered by this enquiry were typical, the BTC would never be able to service the capital involved, let alone its earlier debts.⁹⁵ Bird believed that both organisational and staff changes would be required, but that:

these changes by themselves would probably not produce the desired results until the Government is able and willing to state more precisely than at present what are the overall financial responsibilities of the Commission. This in turn will require a decision being taken on whether the railway system... is to be regarded as a social service, a commercial undertaking, or a mixture of both.⁹⁶

Officials recommended a cut in the 1960 programme of £35 million.⁹⁷ At the start of 1960, Dunnett warned MoT Parliamentary Secretary John Hay (Marples was away), that the BTC was most unlikely to cover its capital charges in 1963 and even less likely in subsequent years, and drew his attention to the increasingly urgent need to decide what the Government's policy on the BTC should be.⁹⁸ 'The first essential step' wrote Dunnett, 'is that we should make it clear to the BTC that we will have to approve in detail their capital investment programmes for the future. This will give us control over the parts of the railway system that are to be modernised'.⁹⁹ Dunnett felt the betterment justification for investment was 'absurd, if not dishonest'.¹⁰⁰ However, wishing to avoid a row with the Commission, he recommended a smaller cut of £20 million in the 1960 programme and further discussions with the BTC about the justification for the major

94 PRO, MT 132/11, BTC: Capital Investment 1960; 'Report of Investigation into the BTC Investment Programme 1960-1962, Summary of Conclusions and Recommendations', covered by Bird - Lang, 15/12/59.

95 PRO, MT 132/11; Bird - Lang, 15/12/59.

96 Ibid.

97 PRO, MT 132/11; Lang - Hampson, 17/12/59; MoT, 'Report of Investigation into the BTC Investment Programme: 1960-1962, Summary of Recommendations and Conclusions', undated.

98 PRO, MT 115/77; Dunnett, 'The Railway Problem', 4/1/60.

99 Ibid.

100 PRO, MT 132/11; Dunnett - Hay, 31/12/59.

schemes (although he thought even this was likely to cause trouble).¹⁰¹ This was the course adopted, and having consulted the Chancellor, Marples wrote to Robertson in February telling him that schemes costing over £250,000 would now be subject to Ministerial approval.¹⁰²

This was a logical response to what the Ministry had learnt in the preceding twelve months, but it also drew on the Treasury's desire, evident in the work of the Padmore Committee, to increase Ministerial supervision of nationalised industry investment and borrowing in general.¹⁰³ The committee had identified the approval of specific schemes which were uneconomic by the relevant Board's own admission, as one of three legitimate forms of intervention by the Government in the investment programmes of nationalised industries (the others were the approval of overall long-term programmes and the allocation of funds for shorter periods within these overall schemes). The committee felt that this would 'enable the Government to detect any tendencies by the Boards to class as unremunerative or socially desirable those projects which were in fact commercial failures'.¹⁰⁴ Clearly, this was a test which needed to be applied to the BTC and, by the start of the new decade, Dunnett had reached the conclusion that if the investment programme could be justified at all, it was on grounds of national interest and that this should be decided by the Government rather than the Commission.¹⁰⁵

In February 1960, Mills, Padmore and Stevenson discussed the draft White Paper prepared by the Padmore Committee with each of the Ministers responsible for nationalised industries.¹⁰⁶ At the same time, there was concern in Whitehall over how to handle the continued financing of the BTC once it became clear that it could no longer legitimately

101 Ibid. It certainly did not please Robertson (PRO, MT 132/11; Robertson - Marples, 8/3/60).

102 PRO, MT 132/11; Marples - Robertson, 26/2/60.

103 PRO, T 267/15; p.12. Source: Treasury note on 'Economic and Financial Framework for the Nationalised Industries', NIC(59)10, 13/3/59.

104 Ibid., p.8. Source, NIC(59), third meeting.

105 PRO, MT 115/77; Dunnett, 'The Railway Problem', 1/4/60.

106 PRO, T 267/15; pp. 32-3. The proposals were embodied in a consultation document to be shown to the Board Chairmen, entitled 'Preliminary Thoughts on the Financial and Economic Obligations of the Nationalised Bodies' (Ibid., p.33).

borrow money from the Government.¹⁰⁷ Marples' EPC paper recommended that the Government make a statement on this, and introduce legislation quickly to replace the loans with a short-term subsidy, an idea supported by the Chancellor.¹⁰⁸ However, matters were complicated by developments on the wages front. The railway unions had lost patience with the Guillebaud inquiry, and the Cabinet was obliged to authorise Robertson to offer a five per cent interim award (in the knowledge that Guillebaud would recommend more than this) in order to avert the threat of an NUR strike from 15 February.¹⁰⁹

Discussion of Marples' paper at the EPC on 12 February proved inconclusive.¹¹⁰ Treasury officials still wanted Ministers to concentrate on whether or not to write-off the money advanced to cover deficits under the 1957 Act and pay a subsidy, and to postpone the wider questions, when the EPC discussion resumed on 17 February.¹¹¹ Macmillan's office drafted a Parliamentary Question and answer to the effect that the Government no longer believed that the forecasts in the 1956 White Paper could be achieved, and would announce its proposals soon.¹¹² However, Macmillan, returning from a tour of Africa to 'a great log-jam of problems',¹¹³ took the chair at the EPC and told his colleagues to concentrate on the question of organisation, leaving the issue of how deficits appeared in the accounts to a later date.¹¹⁴ Following this discussion, GEN 706 was established

107 PRO, T 234/563, BTC: Financial Position and Prospects, part E; Stevenson - Padmore [Treasury second secretary], 3/2/60; Sir Frank Lee [Treasury Joint Permanent Secretary] - G. Bell [Treasury assistant secretary], 4/2/60; Douglas Henley [Treasury assistant secretary] - William Armstrong [Treasury Officer of Accounts], 10/2/60.

108 PRO, CAB 134/1686; Marples, EA(60)8, 28/1/60; T 234/563; Stevenson - Armstrong, 10/2/60; T 234/558; Lee - Bell, 16/2/60.

109 Terence Gourvish, British Railways 1948-73 - A Business History, (Cambridge: Cambridge University Press, 1986), pp.238-9.

110 PRO, CAB 134/1685, EPC (EA) Minutes, 1960; fifth meeting, 12/2/60.

111 PRO, T 234/558, BTC: Reconstruction; Treasury brief [illegible signature] for EPC meeting; 16/2/60.

112 PRO, PREM 11/3147; F. Bishop [Deputy Secretary to the Cabinet] - Macmillan, 15/2/60.

113 Bodleian Library, Macmillan Diaries [BL/MAC], C.21/1, 16/2/60.

114 PRO, CAB 134/1685; EA(60), sixth meeting, 17/2/60.

under Macmillan's chairmanship, to consider railway fares, wages, financial reform and reorganisation of the BTC.¹¹⁵

Macmillan was 'so displeased by the officials' report of... [the EPC discussion on 17 February] and their attempt to give shape to the ideas we floated, that I got up at 7am and wrote out a new paper',¹¹⁶ which he considered very good.¹¹⁷ The paper formed the starting point for the new committee's work. It ruled out any early announcement of a subsidy or the writing-off of capital, and instead concentrated on the need to negotiate acceptance by the unions of a phased implementation of Guillebaud, to run the BTC as well as possible until it could be reformed, and to work out the details of whatever broad plan the Government decided on for the future.¹¹⁸ GEN 706 added a fourth task to Macmillan's list - a review of modernisation - but left this as a matter for the MoT.¹¹⁹

Macmillan's chief objective was to establish the *quid pro quo* which would persuade the unions to accept, in return for a fair wage, 'the need for a smaller industry and... agree that the Government should settle the reorganisation',¹²⁰ and his office drafted a statement reflecting this view.¹²¹ This change of priority worried officials, both because they felt that the Government could not continue to lend money it did not believe could be repaid, and because they feared the opportunity to establish a firm grip on the BTC would be postponed.¹²² The Chancellor agreed, and the deficit appeared

115 Ibid. The matter was also discussed at a Cabinet meeting the previous day (PRO, CAB 128/34, Cabinet conclusions, CC(60)9(5), 16/2/60). CAB 130/172; attendance at GEN 706 meetings varied, but Macmillan, Marples, Mills, Edward Heath [Minister of Labour], Sir Thomas Padmore and either Derick Heathcoat Amory [Chancellor of the Exchequer] or Anthony Barber [Economic Secretary] were ever-present. Sir James Dunnett attended from the third meeting.

116 BL/MAC, C.21/1, 19/2/60.

117 Harold Evans, Downing Street Diary - The Macmillan Years, 1957-63, (London: Hodder and Stoughton, 1981), p.109, diary, 27/2/60; PRO, CAB 130/172; Macmillan, 'Transport', GEN 706/3, 19/2/60.

118 PRO, CAB 130/172; Macmillan, GEN 706/3, 19/2/60.

119 PRO, CAB 130/172; GEN 706, first meeting, 19/2/60.

120 PRO, PREM 11/3147; Bishop - Macmillan, 26/2/60.

121 Ibid.

122 PRO, T 234/563; Padmore - Bell, 22/2/60; Lee - Bell, 22/2/60; Stevenson - Padmore, (including Dunnett's view) 18/3/60.

"above the line" (as spending not lending) in the subsequent Budget,¹²³ but Macmillan's statement of 10 March merely said the Government was considering the problem.¹²⁴ The success of his statement convinced Macmillan that the Government should seize the initiative.¹²⁵ He had already wondered whether it would be better 'to come out in the open and drop the pretence that... [railway pay] was entirely a matter for negotiation between the BTC and the unions',¹²⁶ and a statement was prepared, promising implementation of the Guillebaud report in return for union co-operation in facilitating 'those adjustments to the labour force that are required by the management to secure the most efficient practicable operation of the re-organised undertaking'.¹²⁷ However, the Cabinet shied away from 'taking a public position on a wages negotiation from which it would be difficult to retreat'¹²⁸ and it was decided to let negotiations take place between the unions and the BTC under Ministerial direction. Agreement was reached in June, backdated to January, not the date of publication as the Cabinet had planned to insist. The final cost to the BTC was £41.5 million.¹²⁹

Meanwhile, the Government began to develop further its policy on reorganising the BTC. Marples, like Watkinson before him, favoured appointing 'three wise men'¹³⁰ to work out a detailed plan for the railways, but was afraid that this might lead Robertson to resign. His own lack of faith in Robertson was evident in his suggestion that a Deputy Chairman be appointed to control finance.¹³¹ Marples was aware of 'a big demand'¹³²

123 PRO, T 234/563; Heathcoat Amory, note, 22/2/60; Stevenson - Serpell, 22/3/60; Heathcoat Amory, HoC, Official Report, 4/4/60, cols 48-9.

124 Macmillan, HoC, Official Report, 10/3/60, col. 644.

125 PRO, CAB 130/172; GEN 706, seventh meeting, 11/3/60; BL/MAC, C.21/1, 19/2/60.

126 PRO, CAB 130/172; GEN 706, second meeting, 22/2/60.

127 PRO, T 234/558; copy of statement covered by Padmore - Bell, 11/3/60.

128 Ibid.

129 Ibid.; Gourvish, British Railways, p.242.

130 PRO, PREM 11/3577, Records of Meetings Between the Prime Minister and the Minister of Transport; note of meeting, 14/12/59.

131 PRO, CAB 134/1686; Marples, EA(60)8, 28/1/60.

132 PRO, PREM 11/3147; Marples - Macmillan, 16/2/60.

in the Conservative Party for Robertson to go, but felt that, while 'he must go when a new scheme is put into force',¹³³ it was essential that he remain in office to conduct the negotiations over Guillebaud. Macmillan suggested that the General chair a committee to work out the details of the Government's plan.¹³⁴ In practice this would consist of 'strong vice-Chairmen who would... do all the work and be... in direct contact with the Government'.¹³⁵

By the time the SAG was established in April, Mills and Marples had persuaded Robertson to accept an 'independent' chairman.¹³⁶ Ministers wanted someone who would co-operate with the Government. When the preferred candidate, Lord Chandos,¹³⁷ declined, Sir Ivan Stedeford, the Chairman of Tube Investments, accepted the post from Macmillan himself.¹³⁸ Stedeford suggested Frank Kearton of Courtaulds and Sir Ewart Smith of ICI as other members.¹³⁹ Sir Ewart was unavailable, but recommended ICI's Technical Director, Dr Richard Beeching.¹⁴⁰ Sir Frank Lee, Treasury Joint Permanent Secretary, recruited the last member of the Group, Henry Benson, an accountant from Cooper Brothers,¹⁴¹ who, Dunnett believed, was interested in replacing Robertson.¹⁴² Two civil servants were assigned to the Group, although they were not strictly speaking members and were later instructed to maintain a neutral

133 Ibid.

134 PRO, CAB 130/172; Macmillan, GEN 706/3, 19/2/60.

135 PRO, CAB 130/172; GEN 706, first meeting, 19/2/60.

136 PRO, CAB 130/172; GEN 706, second meeting, 22/2/60.

137 Who, as Oliver Lyttleton, had been Colonial Secretary 1951-54.

138 PRO, CAB 130/172; GEN 706, seventh meeting, 11/3/60; PREM 11/3148; Anthony Phelps [Macmillan's private secretary] - Macmillan, 18/3/60; Macmillan - Stedeford, 24/3/60.

139 PRO, T 234/558; Dunnett - Garlick, 24/3/60.

140 Richard Hardy, Beeching - Champion of the Railway?, (London: Ian Allan, 1989), p.47.

141 PRO, T 234/558; Lee - Mills, 29/3/60 and 30/3/60.

142 PRO, T 234/558; Dunnett - Padmore, 2/3/60.

position, when divisions of opinion occurred between the other members.¹⁴³ These were Stevenson and Serpell (who had joined the MoT as deputy secretary in late March, just before the Group began its work¹⁴⁴). The two officials got on well and had a good working relationship.¹⁴⁵

The SAG could hardly have been less like the stereotypical committee set up to represent every relevant interest and therefore unable to achieve any change - there was no trade unionist and no railwayman and, although its members were businessmen, they were not selected to represent business but to apply its approach. Its task was 'to examine the structure, finance and working of the organisations at present controlled by the Commission and to advise... how effect can best be given to the Government's intentions [as set out in Macmillan's statement]'.¹⁴⁶ The SAG did not compile a report; its eight recommendations were delivered between June and October 1960. Although the possibility of publishing the Group's recommendations was considered more than once,¹⁴⁷ this had never been planned.¹⁴⁸ Dunnett altered the statement in which Marples announced the establishment of the SAG, removing the verb 'report' and inserting 'give advice', to 'minimise the opportunities for "outsiders" to ask for publication'.¹⁴⁹ The Government did not want to publish recommendations it might not accept, particularly given the role of civil servants in the group and the SAG's strong criticism of the Commission.¹⁵⁰ The Group's inability to provide a unanimous

143 PRO, T 234/558; Stevenson - Padmore, 24/3/60; T 298/174, BTC Reorganisation 1960-1, part A; note of meeting, 15/9/60.

144 Letter from Sir David Serpell, 4/4/95.

145 Interview with Sir David Serpell, 3/4/95.

146 Marples, HoC, Official Report, 6/4/60, Col. 394.

147 PRO, T 298/174; Serpell - Madge [Marples' Private Secretary], 8/9/60; PREM 11/3148, Discussions on Reorganisation of BTC, part four; F. Graves-Smith [Cabinet Office assistant secretary] - Macmillan, 11/11/60.

148 PRO, T 298/174; Stevenson - Padmore, 13/9/60.

149 PRO, T 298/185, Appointment of SAG and Correspondence Relating to its Discussions; Stevenson, filenote, 5/4/60.

150 PRO, PREM 11/3148; Graves-Smith - Macmillan, 11/11/60.

recommendation on the shape of the new organisation was probably the decisive factor in the decision not to publish, however.¹⁵¹

This secrecy has led to the myth that the SAG produced something akin to a secret prototype of the Beeching Report. Richard Lamb has written that, 'though the report was kept secret it was known to recommend large-scale reductions in passenger and freight services, whilst Dr Beeching... was... mainly responsible for its conclusions.'¹⁵² According to Henshaw, Beeching wrote 'most of the report'.¹⁵³ Henshaw quotes the view of disaffected railwaymen that the SAG was a 'Marples gestapo'¹⁵⁴ - its terms of reference had been doctored by a pro-road MoT to ensure an anti-railway report which would 'advise the Government on how best to close railway lines'.¹⁵⁵ Contemporaries suspected that the SAG members were appointed to be 'the handmaidens of Government policy'.¹⁵⁶ As one observer put it:

it was generally believed that these gentlemen, before they were sent about their clandestine inquisition... were invited to take the measurements and feel of the axe the Minister was sharpening for British Railways and their modernisation schemes.¹⁵⁷

The Government did indeed give the SAG confidential terms of reference, while keeping the public version 'as unspecific as possible'.¹⁵⁸ However, the Group was primarily concerned with management and organisation,¹⁵⁹ and the confidential terms applied only

151 Interview with Sir David Serpell, 3/4/95.

152 Richard Lamb, The Macmillan Years - The Emerging Truth, (London: John Murray, 1995), p.433.

153 David Henshaw, The Great Railway Conspiracy - The Fall and Rise of Britain's Railways Since the 1950s, (Hawes: Leading Edge, 1991), p.128.

154 Ibid., p.129.

155 Ibid., pp. 122-9 (quote, p.123).

156 Alfred Robens (Labour, Blyth), HoC, Official Report, 3/4/60, Col. 1347, quoted in Gourvish, British Railways, p.309.

157 Geoffrey Freeman Allen, British Railways Today and Tomorrow, (London: Ian Allan, 1959 [Third Edition, 1962]); p.29.

158 PRO, T 234/558; Stevenson - Padmore, 23/3/60. The confidential terms of reference are contained in T 234/558, covered by an unsigned, undated note.

159 Gourvish, British Railways, p.310; Philip Bagwell, The Transport Revolution, (London: Routledge, 1988) [First published as The Transport Revolution from

to reorganisation (they are discussed below). In the event, the SAG's work altered the course of policy on reorganisation.

If the SAG recommendations had been Beeching's alone, they would not have contained two rival organisational proposals, reflecting divisions in the Group.¹⁶⁰ Henshaw's argument that 'the Stedeford committee was set up for the sole purpose of facilitating railway closures'¹⁶¹ is contradicted by the evidence, which he himself cites, that its only recommendation on closures was that a dated programme of further proposals be drawn up.¹⁶² The Group repeated to the Government what it had been told by some Transport Users' Consultative Committee (TUCC) chairmen, 'that the majority of the cases now coming before them for the withdrawal of uneconomic railway services could have been put forward several years earlier... and that, from their experience there must be a considerable number of similar cases not yet prepared',¹⁶³ and concluded that 'this is a field in which... action may have been retarded by a sense of public obligation'.¹⁶⁴ However, the future size and shape of the network was left to the Ministerial Group on Modernisation (MGM), which did not make recommendations; and the major change which the 1962 Act brought about to facilitate closures, altering the TUCC procedure, did not feature in the SAG's recommendations.

The need for more closures had long been appreciated in Whitehall and the Government did not need much advice on the subject. In a broad sense, however, the SAG *was* set up to facilitate closures. The form of organisation which the Government was looking for was one which would take a more commercial approach, and therefore close lines. For this reason, when Dunnett and Lee were attracted by the idea of direct Ministerial control (known as 'postalisation' after the relationship of the Post Office to the Postmaster General) Padmore, whose committee had considered and rejected the idea the year before, begged them to think again. Padmore argued that:

1770, London: Batsford, 1974], pp.325-6.

160 Gourvish, British Railways, p.313

161 Henshaw, Great Railway Conspiracy, pp.122-3.

162 Ibid., p.129; PRO, T 298/174; SAG Recommendation Five, 29/9/60.

163 PRO, T 298/174; SAG Recommendation Five, 29/9/60.

164 Ibid.

none of us knows what size or kind of railway system we ought to be aiming at. But everyone concerned is pretty well convinced that it ought to be smaller, perhaps much smaller, and that a great many unnecessary and uneconomic services ought to be cut out. I can think of no form of postalisation in which the Minister would not be directly responsible to the House of Commons for all railway questions. If this is so what hope can there be of rationalising the railway system...? ...any and every proposal to cut out a service, however wasteful and absurd, will be tested across the floor of the House of Commons.¹⁶⁵

Even the closures which had already taken place, Padmore felt, would not have been possible under such a system.¹⁶⁶ Such comments should, however, be seen in the context of the wider purpose of reorganisation: a reform of the relationship between Government and its least successful nationalised industry.

The SAG soon divided on the issue that had differentiated the approach of Ministers and Treasury officials to nationalised industries as a whole - whether to give priority to organisation or to objectives. Beeching and Benson felt that the Group should begin by establishing the industry's future role; this implied a much longer investigation. Stedeford had been briefed on the Government's thinking and therefore 'tried to limit Beeching's more ambitious plans'.¹⁶⁷ The divisions were exacerbated by strained personal relations and the meetings could be tense affairs.¹⁶⁸ Llewellyn Wansbrough-Jones (BTC Secretary General) and Robertson had decided to cultivate Stedeford (with whom the BTC Chairman developed 'a considerable rapport'¹⁶⁹), and to exploit divisions within the SAG.¹⁷⁰ Initially Stedeford did not believe the disagreements were insuperable; and felt that 'he could not have asked for a better group of people with whom to work'.¹⁷¹ However, when it appeared that he was willing to allow the BTC to review the

165 PRO, T 234/558; Padmore - Lee, 18/2/60.

166 Ibid.

167 Gourvish, British Railways, p.310.

168 PRO, T 298/188, BTC Railways: MGM Establishment and Minutes; Serpell, note for the record, 15/6/60; interview with Sir David Serpell, 3/4/95.

169 Gourvish, British Railways, p.312.

170 David Williamson, A Most Diplomatic General - The Life of General Lord Robertson of Oakridge, Bt GCB GBE KCMG KCVO DSO MC 1896-1974, (London: Brassey's, 1996), p.207.

171 PRO, T 298/185; Lee, note for the record, 18/5/60.

modernisation programme itself, relations became strained, as Beeching, Benson, Serpell and Stevenson had ‘anxieties’ about this.¹⁷² Stedeford himself had previously expressed the view that ‘left to themselves the Commission and the Railway Authorities [*sic*] would do nothing’.¹⁷³ On 13 June, following a stormy meeting of the SAG, Stedeford felt he should resign, as Beeching and Benson appeared to have lost confidence in him as chairman and negotiator. This would clearly have been a major political disaster (there were already signs of concern at the slow progress of the SAG, which had met some thirty times¹⁷⁴) and, enlisting Benson’s help, Serpell spent most of the following two days persuading Stedeford to stay.¹⁷⁵

These divisions have somewhat obscured the extent of the Group’s unanimity in criticising the BTC’s investment programme. Williamson sees Beeching and Benson as ‘hawks’ to Stedeford and Kearton’s ‘doves’;¹⁷⁶ while Henshaw alleges that ‘some members [of the SAG] had refused to play along’¹⁷⁷ and rubber-stamp the Government’s plans for the railways. In fact, the Group quickly came to the view that the modernisation programme should be fundamentally reviewed and that a senior official should be appointed to the Commission to take responsibility for finance. Stedeford expressed this view to Padmore and Lee in strong terms, as the latter recorded:

Sir Ivan... felt that if in a private firm shareholders’ money had been committed with the recklessness which characterised the inception of some of the projects making up the modernisation scheme those responsible would have been indictable.... it almost seemed... as if the judgement whether or not to start a scheme had depended on the degree of support which it received from the particular technicians or other people in authority in, say, a particular region rather than on any economic justification.¹⁷⁸

172 PRO, T 298/188; Serpell, note for the record, 15/6/60.

173 PRO, T 298/185; Lee, note for the record, 18/5/60.

174 PRO, T 298/188; Stevenson - Padmore, 28/6/60; MT 132/80, SAG: Minutes and Papers, part two; note of meeting between Marples and Stedeford, 26/5/60; PREM 11/3148; Timothy Bligh [Macmillan’s Principle Private Secretary] - Garlick, 20/6/60.

175 PRO, T 298/188; Serpell, note for the record, 15/6/60.

176 Williamson, A Most Diplomatic General, p.207.

177 Henshaw, Great Railway Conspiracy, p.129.

178 PRO, T 298/185; Lee note for the record, 18/5/60.

Sir Ivan also reported the Group's astonishment at the tendency within the BTC 'to regard the modernisation plan as sacrosanct and above criticism [and that]... nothing was really wrong with the railways except that the public unaccountably failed to patronize them.¹⁷⁹ The SAG had formed 'a very unfavourable view'¹⁸⁰ of Sir Reginald Wilson, and were shocked to discover that, since he had been given additional responsibilities, the Commission appeared not to have a chief finance officer.¹⁸¹ The strength of the SAG's views on the BTC's investment programme, not to mention the evidence to back up those views in the MoT and Treasury investigations, surely rules out the possibility that the SAG was a stooge for Marples' preconceived plans.¹⁸²

Towards the end of June, the SAG delivered its first two recommendations. The first was that those parts of the modernisation programme which were at an early stage should be halted and no new projects begun until a review of the whole programme had been undertaken. The second established a 'continuing body' (the MGM) to conduct this review and consider the future of the railway system.¹⁸³ Both were accepted by a Cabinet Committee on BTC Reorganisation, consisting of Macmillan, Mills, Heath (Minister of Labour), Marples and Anthony Barber (Economic Secretary to the Treasury).¹⁸⁴ By late Autumn, the MGM's consideration of the various investment projects allocated to it (by the SAG's third recommendation, delivered at the end of July¹⁸⁵) had been overtaken by events. Urgent schemes received Ministerial approval in October and November and the rest were treated as part of the BTC's investment proposals for 1961.¹⁸⁶ Examination of the Euston - Manchester/Liverpool electrification

179 Ibid.

180 Ibid.

181 Ibid.

182 Gourvish, British Railways, p.302; Henshaw, Great Railway Conspiracy, p.127.

183 PRO, PREM 11/3148; SAG Recommendations One and Two, 24/6/60; Marples - Macmillan, 24/6/60.

184 PRO, CAB 134/1433, BTC Reorganisation Committee (BTC); first meeting, 28/6/60.

185 PRO, T 298/174; SAG, Recommendation Three, 27/7/60.

186 PRO, MT 124/100, MGM: Briefs for Meetings; Serpell - Dunnett, 10/11/60; MT 124/102, MGM: Preparation of Papers and Other Action Arising out of Meetings;

programme was left to the SAG itself. While the Group's seventh recommendation, delivered in September, supported some form of modernisation of the route, it did not express a firm preference for electric or diesel power.¹⁸⁷ The scheme was approved in January 1961, but not because there was a convincing case for it. In the absence of a compelling argument for calling a halt, the negative effect on railway morale and the export efforts of the electrical industry, plus the waste of sums already spent, persuaded Ministers that work should begin again.¹⁸⁸ Gourvish has concluded that the problem was the Commission's calculations, which did not bring out the financial advantages of electrification over diesel traction, rather than the choice of motive power.¹⁸⁹ The Commission's defence of its flagship project was poor, and the estimated benefits did not materialise. In 1967-8 the line's earnings were £0.9 million less than in 1959 (using constant 1959 prices) - an £18 million increase had been forecast.¹⁹⁰

In the 1960s the railways, like all the nationalised industries, was subject to stricter investment control by the Treasury than had been the case in the 1950s. This reflected the SAG's recommendations,¹⁹¹ but was clearly already on the agenda. Under the 1962 Act, all investment projects costing more than £100,000 had to be reported to the Ministry and all those over £250,000 specifically approved. The Treasury now expected firmer five-year investment forecasts, and by the middle of the decade a complex annual process of investment submissions had been established, lasting from March to September.¹⁹² Nevertheless, Gourvish's account of investment to 1973 has concluded that the investment control process became a game which railway management attempted to play better than the Treasury (for example by only supplying the information which supported its case).¹⁹³

Serpell - Wansbrough-Jones, 18/10/60 and 18/11/60.

187 PRO, T 298/174; SAG, Recommendation Seven, 30/9/60.

188 PRO, CAB 134/1689, EPC (EA) Meetings, 1961; first meeting, 25/1/61.

189 Gourvish, British Railways, appendix G, p.627.

190 Ibid., p.631.

191 PRO, T 298/174; SAG, Recommendation Five, 29/9/60.

192 Gourvish, British Railways, pp.515-6.

193 Ibid., pp. 520-9.

The SAG's fourth, fifth and sixth recommendations were delivered at the end of September. These covered financial reconstruction (four), a variety of suggested reforms to improve performance (five), and the Commission's legal obligations (six).¹⁹⁴ The fourth recommendation revealed that no allowance had been made in the Commission's books for depreciation of some £1,000 million of assets, others had been depreciated on the basis of too long a book life, and there had been a £30 million shortfall on depreciation provisions in the last three years. The BTC had no liquid assets to cover £160 million of liabilities in its pension funds and employee savings bank.¹⁹⁵ The railways earned less than £900 per employee, and the planned reduction in the workforce of ten per cent over the next four years would not offset the cost of implementing the Guillebaud Report.¹⁹⁶

Of the railways' supposed value (£1600 million), £400 million was considered to have been irretrievably lost. The SAG recommended that, of the remainder, £400 million, representing the investment in the railways since 1955, continue as interest-bearing debt, and £800 million, (approximate to the capital at nationalisation¹⁹⁷) be placed in a suspense account (of which a considerable amount would probably have to be written-off eventually).¹⁹⁸ Macmillan seems not to have expected much of this *ever* to be redeemed, as he recorded in his diary that some £1,200 million would be written-off.¹⁹⁹ The railways should then aim to eliminate the operating deficit in three years and earn enough to begin reducing the fixed debt within five years, receiving Government grants in the meantime. This required an annual improvement of about £25 million in the operating account (based on an estimated annual interest burden in 1965 of £50 million), and a simultaneous increase in depreciation provision.²⁰⁰ Philip Bagwell has described the refinancing of the railways as 'in many respects... the most constructive and helpful

194 PRO, T 298/174; SAG, Recommendations Four - Six, September 1960.

195 PRO, T 298/174; SAG Recommendation Four, 21/9/60.

196 PRO, T 298/174; SAG Recommendation Five, 29/9/60.

197 PRO, CAB 134/1433; BTC(60), second meeting, 14/11/60.

198 PRO, T 298/174; SAG, Recommendation Four, 21/9/60.

199 BL/MAC, C.21/1, 14/11/60.

200 PRO, T 298/174; SAG, Recommendation Four, 21/9/60.

parts of the [1962] Act',²⁰¹ but, as Gourvish has argued, they still represented a heavy burden.²⁰² The Act only transferred £675 million to the suspense account (a decrease of £125 million from the SAG figure), although £475 million was to be written off (an increase of £75 million). Interest-bearing debt was now £900 million, largely because of an increase of £450 million in the total debt.²⁰³ The Act required the British Railways Board (BRB, which replaced the BTC under the same Act) to break-even 'at the earliest possible date',²⁰⁴ but exempted it from the general requirement to do so until 1 January 1969,²⁰⁵ and allowed the Minister to make grants to the railways to cover losses to that date and to an aggregate total of £450 million.²⁰⁶

The significant point about these provisions is that they were not a once-for-all settlement. Stevenson recognised that the railways had been set 'a herculean task'²⁰⁷ and regarded a further capital review as 'almost certainly necessary in about five years after vesting date [1 January 1963]'.²⁰⁸ 'The Treasury's views on financial standards were persistently represented'²⁰⁹ on the SAG by Stevenson, whose aim had been to 'limit any writing-off to sums which have manifestly been irretrievably lost and to limit the amount and duration of any subsidy'.²¹⁰ Stevenson feared that the railways might set a precedent for other nationalised industries. In the autumn of 1960, the BOAC was

201 Bagwell, Transport Revolution, p.328.

202 Gourvish, British Railways, p.412.

203 Marples, HoC, Official Report, 20/11/61, col.942, cited in Bagwell, Transport Revolution, p.327.

204 Transport Act, 1962; 10 and 11 Eliz. II, 10, S.22(4).

205 Ibid., S.18(1).

206 Ibid., S.22.

207 PRO, T 298/174; Stevenson - Padmore, 7/11/60.

208 PRO, T 298/184, BTC Financial Position, Prospects and Annual Borrowing: Revision of Financing Procedure, part D; note of meeting, 10/11/61.

209 PRO, T 267/15; p.38.

210 PRO, T 298/185; Stevenson, 'Nationalised Industries - Suggested New Financial Framework', 26/7/60.

lobbying for a write-off of some of its capital debt,²¹¹ and he hoped that the ignominy of radical reorganisation and increased Ministerial control of the BTC would deter such initiatives.²¹² Had it not been for his persistence, the SAG might well have recommended a greater writing-off of BTC capital.²¹³ The interim nature of the financial structure imposed on the railways by the 1962 Act was reinforced by the report of the Interdepartmental Working Party set up to examine the Beeching Report in 1963. This concluded that even if all the Board's proposals were carried out and their most optimistic forecasts realised, there would still be, on the figures for 1963, 'a substantial deficit on railway operations',²¹⁴ and warned that Ministers might well have to extend the limit on deficit grants to the BRB, 'well before 1967'.²¹⁵

The SAG made a number of recommendations for improving the BTC's commercial performance, which amounted to the abolition of various legal restrictions, including the obligation to provide reasonable facilities, and attempts to encourage a closer relationship between costs and charges in setting freight rates. On productivity, the recommendations amounted, to a large extent, to a call for greater effort. The SAG called for greater emphasis on work-study and the introduction "Economy Teams", each examining some aspect of the railway and the amount spent on it.²¹⁶ The question of greater freedom to set charges had been a thorny problem in discussions over the White Paper on the Financial and Economic Obligations of the Nationalised Industries, and it was only in March 1961 that the principle of non-intervention was approved by the Cabinet.²¹⁷ Ministers were still reluctant to grasp the nettle of competition quite as tightly as was

211 PRO, T 298/174; Samuel Goldman [Treasury under secretary] - Stevenson, 27/9/60.

212 PRO, T 298/174; Stevenson - Goldman, 28/9/60.

213 PRO, T 298/185; Stevenson - Padmore, 19/9/60.

214 PRO, CAB 134/2426, Cabinet Committee on Reorganisation of the Railways (R); Report of the Interdepartmental Working Party on Railways, R(63)11, 18/7/63, p.28.

215 Ibid., p.29.

216 PRO, T 298/174; SAG, Recommendations Five, 21/9/60, and Six, undated.

217 PRO, 267/15; p.55; CAB 128/35; Cabinet conclusions, CC(61)19(5), 28/3/61.

required, however. A compromise was reached on the protection of coastal shipping from railway competition, whereby the Minister could hear complaints of unfair competition by the railways. Although only one ever succeeded, the existence of such a power probably deterred the railways from chasing this traffic to the extent they might otherwise have done.²¹⁸ By the mid-1970s, the Government were again holding nationalised industry prices 'below costs for a number of years and, surprise surprise, this resulted in even more horrendous deficits'.²¹⁹ The painful lessons of the 1950s appear to have been quickly forgotten.

The debate within the SAG over the details of reorganisation has been dealt with in detail by Professor Gourvish.²²⁰ Its significance here is the contrast between the creation of a strong BRB under the 1962 Transport Act, and the geographical decentralisation originally favoured by Ministers. Macmillan set out a framework within which the SAG was to examine reorganisation, which reflected the work of the Padmore Committee, and Mills' subsequent discussions with Robertson and Marples. GEN 706 came down in favour of greater decentralisation to the regions, although the exact relationship between these and the central railway board remained vague. The individual activities of the Commission were to be reorganised on a limited company pattern and as fully self-accounting as possible, agreeing their capital investment directly with the Minister. Their chairmen, and ultimately all board members, would be appointed by the Minister. The BTC would become a holding company with purely advisory functions.²²¹

218 Gourvish, British Railways, pp.473-4 (quote, p.473).

219 Richard Marsh, Off the Rails - An Autobiography, (London: Wiedenfeld and Nicolson, 1978), p.188.

220 Ibid., pp.311-6.

221 PRO, CAB 130/172; Macmillan, GEN 706/3, 19/2/60; GEN 706, first meeting, 19/2/60; PREM 11/3147; Marples - Macmillan, 16/2/60; CAB 134/1686; Marples, EA(60)8, 28/1/60; T 234/563; notes of meetings on 30/12/59 and 14/1/60; PREM 11/4028, BTC Reorganisation; note of meeting, 2/2/61; T 234/558; Dunnett - Marples, 18/3/60; SAG confidential terms of reference, covered by an unsigned, undated note.

However, although the 1962 Act created Regional Railway Boards, they were subordinate to the BRB, which was directly responsible to Marples.²²² The new railway organisation was criticised as simply a re-creation of the pre-1953 Railway Executive, and not in line with the Government's policy of decentralisation.²²³ There was much truth in both comments, yet, at the very first meeting of GEN 706 Ministers had expressed the view that 'it would be important not to resurrect anything like the former Railway Executive'.²²⁴ How had such a reversal come about? The SAG put forward two alternative reorganisations for nationalised transport: Scheme A, drawn up by Stedeford and Kearton; and Scheme B, drawn up by Benson and Beeching.²²⁵ Scheme A came 'very close to the detailed marching orders... given to the chairman',²²⁶ and probably took some account of Robertson's views.²²⁷ The BTC would be replaced by a superior body which would be advisory to both the Minister and the constituent bodies (the railway regions and the non-railway activities, each of which would have its own board). The central railway board would be dominated by the managing directors of the six regional boards. There would also be a Co-ordination Council to solve disputes between the subsidiary boards.²²⁸ However, Stedeford suppressed a chart drawn up to illustrate his proposed system of checks and balances, because it looked so complicated.²²⁹ Scheme B abolished the BTC altogether, leaving a small, purely advisory, body and eight fully autonomous boards (including a railways board), each owning its own assets and directly responsible to the Minister. Managerial responsibility would be delegated to the regional railway boards but these would *not* have representatives on the central railways board.²³⁰

222 Gourvish, British Railways, pp. 320 and 330; Bagwell, The Transport Revolution, p.326.

223 Gourvish, British Railways, pp.319-21.

224 PRO, CAB 130/172; GEN 706, first meeting, 19/2/60.

225 Gourvish, British Railways, pp.314-5.

226 PRO, T 298/174; Stevenson - Lee, 28/10/60.

227 Gourvish, British Railways, p.312.

228 Ibid., p.314.

229 PRO, T 298/174; Stevenson - Lee, 28/10/60.

230 Gourvish, British Railways, p.315.

Although Serpell and Stevenson attempted, unsuccessfully, to draft a proposal which both sides could accept, they were aware that the rival schemes represented very different views on whether power in the railway organisation should lie with the regions (Scheme A) or the central board (Scheme B) and, on the railways' future relationship to the Minister.²³¹ Both officials favoured the approach taken by Beeching and Benson.²³² Before the Group began its work, Stevenson had told Padmore that 'my own feeling is that in the early stages, at any rate, a strong Central Railway Body will be needed with strong central financial controls';²³³ and by the end of its discussions, he believed that the potential embarrassment of recreating the Railway Executive was unavoidable.²³⁴ Later in the year, he argued for a strong central railway board and against too much regional control on the grounds that 'one of the large and difficult tasks will be to cut the railway system down to a size that can be viable, and operating bodies, such as regional boards, do not show enthusiasm in reducing the size of their own concern'.²³⁵

When Ministers considered these proposals, they received a memorandum setting out the views of the Ministry, written in consultation with Stevenson. This supported a central board which would hold the railways' assets (as it would be impractical to divide them between the regions) and argued that the superior body proposed by Scheme A would be too like the BTC. However, unlike Scheme B, the proposed railways board would include the chairmen of the regional boards and would be obliged to delegate responsibility to the regions for those matters which did not require a national approach.²³⁶ The BRB was strengthened when the proposal that the Minister appoint the regional board chairmen was dropped. This was done because the chairmen would be responsible to the BRB, and if the Minister appointed them a possible conflict of

231 PRO, T 298/174; note of meeting, 15/9/60; T 298/185; Serpell - Madge, 21/9/60.

232 Interview with Sir David Serpell, 3/4/95.

233 PRO, T 234/558; Stevenson - Padmore, 11/3/60.

234 PRO, T 298/174; Stevenson - Padmore, 13/9/60.

235 PRO, T 298/176, BTC Reorganisation 1960-1, part C; Stevenson - Lee, 6/12/60.

236 PRO, CAB 134/1433; Marples, 'Reorganisation of the BTC', BTC(60)7, 10/11/60; T 298/175, BTC Reorganisation 1960-1, part B; draft of BTC(60)7, covered by Serpell - Stevenson, 9/11/60.

loyalty arose.²³⁷ The White Paper was criticised for its vagueness on the functions of the new boards,²³⁸ but this kept the Government's options open, and, following Beeching's appointment to the BTC, the centripetal force grew stronger.

At a meeting with Macmillan in May 1961, Beeching emphasised that he did not want to be tied to the organisation as set out in the White Paper but to have room to develop it; in particular he did not, in the long term, want regional general managers on the BRB.²³⁹ Marples successfully supported Beeching when this question was considered by the EPC, subject to the compromise that the Minister should approve appointments to the Regional Boards.²⁴⁰ Marples also supported Beeching's view that the BRB should own the BTC's hotels, an arrangement which allowed economies of scale by combining the hotels with railway catering. This was approved, despite resistance from Mills who took the matter to Cabinet.²⁴¹ Within the BTC and BRB, Beeching strengthened the centre against the regions, although the advantages gained in theory were not always pressed home.²⁴²

In retrospect, the post-SAG debate on the nature of the body replacing the BTC seems less significant. The 1962 Act established a Transport Holding Company, but only to nominally own British Road Services, the bus companies and other minor fragments of what had been the BTC.²⁴³ Ministers decided that the advisory role should be carried out by a separate body (as Scheme B had proposed).²⁴⁴ Serpell proposed a superior body to advise on *all* transport, covering such issues as competition between rail and coastal shipping, possible control of 'C' licenses and the allocation of investment and resources which Serpell believed was 'the crucial question facing Ministers of Transport

237 PRO, CAB 128/34; Cabinet conclusions, CC(60)63(1), 9/12/60.

238 Gourvish, British Railways, p.319.

239 PRO, PREM 11/4028; note of meeting between Beeching and Macmillan, 10/5/60.

240 PRO, CAB 134/1689; EA(61), seventeenth meeting, 26/7/61.

241 Ibid.; PRO, CAB 128/35; Cabinet conclusions, CC(61)55(6), 10/10/61.

242 Gourvish, British Railways, pp.341-3.

243 Ibid., pp.320 and 330.

244 PRO, CAB 134/1433; BTC(60), second meeting, 14/11/60; Marples, BTC(60)7, 10/11/60.

in the coming decade'.²⁴⁵ Both SAG proposals had agreed that this was the main role of the superior body, and had laid great emphasis on the question of investment. The 'Transport Council' would not be concerned with detailed proposals which would still be vetted by the Ministry but with the broad pattern of investment.²⁴⁶ This survived into the MoT paper, but only as a tentative proposal.²⁴⁷ The Cabinet confined the body to matters affecting nationalised transport - partly to avoid setting a precedent for the fuel and power industries.²⁴⁸ This body became the Nationalised Transport Advisory Council under the 1962 Act. It had no executive powers and consisted of the chairmen of the various nationalised transport boards created under the Act. It was supposed to advise on co-ordinating nationalised transport but Ministers decreed that it should have 'no real power'.²⁴⁹ It 'proved to be a very limited body',²⁵⁰ and withered on the vine.

Arguably, the most important development to emerge from the whole process was the appointment of Beeching. Officials had considered possible appointments in September, although it was unclear whether the crucial posts would be at the 'superior body' or the railways board. The future looked bleak for existing BTC members most of whom 'ought to go'.²⁵¹ The idea of a deputy chairman with responsibility for finance, which had been put forward in Marples' paper to the EPC in February,²⁵² was still central, and Beeching and Benson were obvious candidates. The latter was the financial expert, but it was felt he would not agree to work *under* Beeching: 'what is needed is someone of the stature and width of mind of Dr Beeching relying on the accountancy

245 PRO, T 298/174; Serpell, note, 14/10/60.

246 Ibid.

247 PRO, CAB 134/1433; Marples, BTC(60)7, 10/11/60.

248 PRO, CAB 128/34; Cabinet conclusions, CC(60)61(4), 1/12/60; PRO, T 298/175; Macmillan - Selwyn Lloyd [Chancellor of the Exchequer], 1/12/60.

249 BL/MAC, C21/1, 14/11/60.

250 Gourvish, British Railways, p.319.

251 PRO, T 298/174; draft of Marples, 'Re-organisation of the BTC: Problem of Appointments', September 1960.

252 PRO, CAB 134/1686; Marples, EA(60)8, 28/1/60.

expertise possessed by Mr Benson'.²⁵³ The problem was that such people would require higher salaries than were usually available in the public sector, and the possibility of making the BTC a special case was considered.²⁵⁴

Marples raised the question of how to attract new people to run the railways at a meeting with the Prime Minister on 20 September - 'he did not want old retired people or part-timers'.²⁵⁵ After the Cabinet's BTC Reorganisation Committee met in November, the Prime Minister sent Marples a note expressing the hope that 'we shall be able to take the power to pay proper salaries on a commercial basis to the leading figures in the industry. Otherwise we shall never get the right people'.²⁵⁶ By the end of the month, Marples had decided that Beeching was the man for the job.²⁵⁷ In December the Cabinet endorsed the conclusion of the Committee on Nationalised Industries that Ministers be allowed to pay the kind of salaries necessary to attract top people to nationalised industry.²⁵⁸ The appointment of Beeching at a salary of £24,000 (Robertson had received £10,000) was a storm Marples and Macmillan were willing to weather, just as they had weathered Sir Thomas Padmore's concerns at 'such an astronomical figure'.²⁵⁹

Beeching's subsequent task would have been a lot less controversial had this period of reform addressed the funding of unremunerative, but socially-desirable, services more effectively. This question was brought to the fore by the Select Committee's report in

253 PRO, T 298/174; draft of Marples 'Re-organisation of the BTC: Problem of Appointments', September 1960.

254 Ibid.

255 PRO, PREM 11/3577; note of meeting, 20/9/60.

256 PRO, PREM 11/3148; Macmillan - Marples, 14/11/60.

257 PRO; PREM 11/3577; note of meeting between Macmillan and Marples, 25/11/60.

258 PRO, CAB 129/103; Mills, 'Salaries of Members of the Boards of Nationalised Industries', C(60)170, 24/11/60; CAB 128/34; Cabinet conclusions, CC(60)61(3), 1/12/60.

259 Gourvish, British Railways, pp.322-4; PRO, T 298/176; Burke Trend [Treasury second secretary] - Brook, 21/12/60; PREM 11/4028; note of meeting, 22/12/60, with Bligh's manuscript addition of 23/12/60.

July 1960. The Committee had criticised the BTC for maintaining loss-making services on the basis of social need, on the grounds that:

the best initial test of what the public need is what they will pay for. If, thereafter, there are other considerations which make it desirable for members of the public to travel or freight to be carried on some routes at prices below the cost, it should be for the Government and not the Commission to decide.²⁶⁰

The Select Committee went on to argue that if government did require unremunerative services to be maintained 'the additional cost of them should be provided... out of public funds';²⁶¹ and that subsidies should be allocated to specific services and paid 'openly... not... disguised as... a payment of the track costs... nor as the writing-off of the burden of interest.'²⁶²

The concluding paragraph of the Select Committee Report argued that if its proposals for subsidies were taken up 'the Commission and the Minister would become much more clearly accountable to Parliament for their separate railway responsibilities'.²⁶³ Beeching expressed a similar view to the SAG. He argued that the BTC's terms of reference could lead to a blurring of objectives, and criticised the Commission and the Government for allowing the choice between adequacy and viability to have been obscured in the past.²⁶⁴ He felt that commercial objectives could not be directly applied to a public corporation like the Commission because British Railways was:

responsible for providing a national service with strong repercussions on other features of the nation's affairs, [and therefore] efficiency and adequacy may well need to be judged by criteria other than their effect upon the economics of the Transport Commission.²⁶⁵

As priorities had to be set, the Commission should put the choices to the Government and force Ministers to take responsibility for them, taking account of the railways' role in the

260 Report of S.C. Nat. Ind.: BR, p.xcii.

261 Ibid., p.xciii.

262 Ibid.

263 Ibid.

264 PRO; MT 124/102; Beeching, 'The Preparation and Presentation of Railway Modernisation Plans', 8/6/60, with manuscript amendments.

265 Ibid.; PRO, T 298/188; Beeching, 'Preparation and Presentation of Railway Modernisation Plans', MGM/P/1, August 1960.

whole transport system.²⁶⁶ The 1961 White Paper stated that, rather than subsidise specific services, the Government would consider the cost of these services when agreeing the rate of return required from a nationalised board.²⁶⁷ Samuel Brittan criticised this approach as encouraging bad pricing decisions (to cross-subsidise unremunerative services from the surplus on profitable ones) and concealing 'what should be a conscious political decision'²⁶⁸ - to provide a social service. In this respect the 1968 Transport Act appeared to be a significant change of policy, because it enabled specific subsidies to be paid for specific services. So why was this not done in 1962?

The 1968 Act related subsidy payments to the loss on the service. This was to an extent an illogical approach, in that the decision whether or not to pay a subsidy should reflect the value of the service to the community, rather than being triggered by the loss it makes.²⁶⁹ In his 1983 examination of the relative significance of financial information and cost-benefit studies in influencing railway policy, Irving Lapsley concluded that the greater influence of the former was at least partly a result of 'the intractable nature of the measurement of problems of "social benefits" and the availability... of financial information'.²⁷⁰ As discussed in Chapter Four, this problem was particularly acute in Whitehall in the early 1960s. Nevertheless, in March 1959, the Padmore Committee had recognised that the BTC might require 'a special subsidy related to its uneconomic services which were kept in operation for social needs',²⁷¹ and this possibility had also been raised by the Ministerial committee.²⁷² In August, Dunnett took this idea up with the Commission, at the same time trying unsuccessfully to get an idea of how far the Commission would rationalise the railway system if it did so on a purely commercial basis. He asked whether there were any particular areas in which railway services could be subsidised and, if so, what amounts might be involved? The Commission agreed to

266 Ibid.

267 Treasury, Economic and Financial Obligations of the Nationalised Industries, p.10.

268 Brittan, The Treasury Under the Tories, 1951-64, p.97.

269 Irving Lapsley, 'The Influence of Financial Measures on UK Railway Policy', Journal of Public Policy, vol.3, part 3, 1983, pp.289 and 295

270 Ibid., p.296.

271 PRO, T 267/15; p.13. Source: NIC(59), eighth meeting, 24/3/59.

272 Ibid., p.17. Source: C(59)117

consider studying three areas: Scotland north of Perth; central Wales; and the former Southern Railway lines west of Exeter, although Wansbrough-Jones 'was not sure how far this approach would be useful'.²⁷³

The Commission's response to Dunnett's request was a memorandum, 'Fringe Areas', which reached the Ministry in December.²⁷⁴ In 1960 the Commission claimed it would be 'administratively unworkable' to apply subsidies 'service by service',²⁷⁵ and 'Fringe Areas' made no attempt to attribute specific losses to individual services or to assess the relative social value of different services. Overall losses for each area were provided, producing a grand total of £3.5 million. Receipts were broken down by traffic type but expenses were not, so it was impossible to gauge the effect of, say, transferring merchandise traffic to road.²⁷⁶ Although Dunnett asked for figures relating to *areas*, if the Commission had been serious about providing a social service, then it should surely have already investigated the costs of individual services and considered their merits. The area figures could then have been presented as a total of individual costs, and the cost of different sized networks in the three areas could have been estimated.

The treatment of the former Southern Railway lines was indicative of the shortcomings of the Commission's approach to unremunerative services. The memorandum made no reference to such factors as the bulk freight traffic produced at three quarries in this area (Meldon, Meeth and Delabole) which, in the event, kept their rail services after closure to passengers,²⁷⁷ and which might therefore have influenced decisions about subsidised passenger services. The case for subsidising lines to holiday resorts (protecting their economy and catering for an inherently uneconomic seasonal peak) was different to that for subsidising lines to Launceston or Okehampton, while the

273 PRO, MT 115/280; note of meeting, 14/8/60.

274 Gourvish, British Railways, p.213, note 77 (p.690); Wansbrough-Jones - MoT, 23/12/59; PRO, MT 132/79, SAG: Minutes and Papers, part one; BTC, 'Fringe Areas', 14/12/59.

275 PRO, T 298/175; Correspondence referred to in BTC note on SAG Recommendation Four, 14/11/60.

276 PRO, MT 132/79; BTC, 'Fringe Areas', 14/12/59.

277 David St John Thomas, West Country Railway History [The papercovered edition of A Regional History of the Railways of Great Britain Volume One: The West Country], (Newton Abbot: David and Charles, 1960 [sixth edition 1988]), pp.112, 123 and 186.

inclusion of obvious non-starters such as the Halwill Junction - Torrington service (see Chapter Three, p.110) made a nonsense of the exercise. The former Great Western Railway lines in the area were ignored, despite the fact that they provided alternative links between the outside world and Barnstaple (and therefore Ilfracombe, Bideford and Torrington), Wadebridge (and therefore Padstow), Launceston, Bodmin and Tavistock - in other words all the significant towns in the area except Okehampton, Crediton and Bude. Anyone with a map and a pen could have rationalised the two systems into one, but in this respect the memorandum perpetuated a failure that had existed since 1948. Whether or not *any* of these lines should have been subsidised, no serious attempt to treat railways as a social service could be based on the BTC's approach.

The document went on to say that its figures 'do not represent the financial effect which would result from the closure of the lines',²⁷⁸ begging the question why such figures were not produced. If the Commission was to operate these lines as a social service it ought surely have wanted to know the cost of doing so. Certainly, the Ministry could hardly judge whether a grant should be paid for such services without knowing how much the Commission was losing by continuing to provide them. This was a particular problem in these three areas because, as the extremities of main-line networks, they generated considerable gross contributory revenue, making their viability harder to judge than a line on which the majority of traffic was internal. Nevertheless, this problem was neither new nor unique to these areas. Internal BTC documents cited by Gourvish argued that the lines earned some £6.7 million in gross contributory revenue, of which £4.8 million would be lost on closure, so 'a closure policy would leave the BTC worse off in the short run and only marginally better off in the long term'.²⁷⁹ Henshaw concludes that therefore 'the £3.5 million subsidy could... be seen as an investment earning a healthy return',²⁸⁰ but this would only be true if the contributory revenue figure was *net*, which it was not (see Introduction, p.18).

'Fringe Areas' suggests that the Commission's belief in its social obligations, however sincere, was in practice so vague that it merely concealed waste and incompetence. It was clearly not in a position to answer the question: at what point does

278 PRO, MT 132/79; BTC, 'Fringe Areas', 14/12/59.

279 Gourvish, British Railways, p.213. Source: BRB archive.

280 Henshaw, Great Railway Conspiracy, p.114.

the financial loss of a service outweigh the social benefit? For example, the memorandum's figures took account of 'impending changes... such as the closing of stations or the introduction of different forms of motive power [for which]... substantial capital expenditure would of course be required';²⁸¹ but as central charges were not included in the calculations, the interest on this investment appears to have been ignored. The Commission's financial shortcomings were not the only factor at work here, however. The real bone of contention was not how the Commission's debts were to be paid, but its independence.

Dunnett wanted a subsidy to be called a subsidy, so that the MoT could impose greater financial discipline on the Commission.²⁸² The Commission wanted to avoid a subsidy to preserve its independence, and believed that a grant covering the loss on these lines would make little difference to its overall financial position.²⁸³ In this political battle the issue of social service subsidies fell by the wayside - at least for the time being. Instead, the Commission sought a capital write-off and help with its track costs. This was raised at the same meeting at which Dunnett asked for the fringe areas study,²⁸⁴ and was later pursued by Robertson when he discussed possible reorganisation of the Commission with Lord Mills. Robertson suggested that the Government take over the ownership of track and signalling and rent them to the Commission.²⁸⁵ Exactly who this would help and how is unclear. Officials were not interested in the details of the scheme, and it was ruled out as a disguised subsidy by Marples, Mills and officials in January 1960.²⁸⁶ When, in the same month, Ministers raised the question of a general separation of the commercial and social activities of the nationalised industries, they were told the official committee had examined this and considered it impractical.²⁸⁷

281 PRO, MT 132/79; BTC 'Fringe Areas', 14/12/59.

282 PRO, MT 115/77; Dunnett, 'The Railway Problem', 4/1/60.

283 Gourvish, British Railways, p.213; PRO, MT 132/79; BTC, 'Fringe Areas', 14/12/59.

284 PRO, MT 115/280; note of meeting, 14/8/60.

285 PRO, T 234/558; minutes of Mills' meeting with Robertson, 14/1/60.

286 PRO, T 234/563; minutes of meeting, 22/1/60.

287 PRO, T 267/15; p.30. Source: NIM(60), first meeting, 11/1/60.

By the end of 1960, officials had reached the broad conclusion that, rather than subsidise specific services, the lower rate of return expected from nationalised industries compensated for the uneconomic social services they provided,²⁸⁸ a view expressed in relation to the railways by Serpell in December 1960.²⁸⁹ Nevertheless, the idea was not abandoned entirely. Early drafts of the White Paper indicated that Ministers would consider the proposal in relation to all nationalised industries (although better accounts would be needed if such subsidies were to be paid), while such services would be covered by the general subsidy to the railways in the immediate future.²⁹⁰ By the following January, Ministers had concluded that it would be dangerous to mention specific subsidies in the White Paper on Financial and Economic Obligations of the Nationalised Industries, but that the possibility should not be ruled out.²⁹¹

The absence of specific grants for unremunerative services in the 1962 Act reflected a combination of the difficulties involved in assessing the losses and the Commission's disinterest in the issue. As the railways were likely to continue to lose large sums in the near future which would be paid by the taxpayer anyway, the issue was not the most pressing of the many aspects of policy towards the railways at the time. Nevertheless, the principle that the Government should both select which lines should be retained on social grounds and pay the cost of doing so, was not abandoned. Writing to Marples in September 1962, Macmillan set out the position as he understood it:

if the Government decides that on social grounds a railway from Inverness to Wick is necessary then... Dr. Beeching will quote a price... for keeping the line open... the Government will pay this, if it decides to do so, as a social service, but the management of the railway will not be accused of inefficiency or an increase in their deficit made a subject of attack on them on this account.²⁹²

The Prime Minister made this sound rather simpler than it proved to be, but the principle was clear enough.

288 Ibid., pp.46-7.

289 PRO, T 298/176; Serpell, notes on answers to possible BTC criticisms of the White Paper, sent to Stevenson 13/12/60

290 PRO, T 298/175; Stevenson, note of 25/11/60; White Paper drafts of 28/11/60 and 5/12/60.

291 PRO, T 267/15; p.52. Source: NIM(61), first meeting, 31/1/61.

292 PRO, PREM 11/4548, Reorganisation of Railways: Discussions on Beeching Plan, part six; Macmillan - Marples, 30/9/62.

The period 1960-62 makes an interesting contrast to 1951-53. Where their predecessors became hopelessly bogged down in detailed arguments which stemmed largely from the conflicting aims of reintroducing competition and avoiding a railway deficit, Macmillan, Marples and their colleagues established coherent aims at an early stage and left the detail to be worked out by their officials and advisers. Consequently, Ministers were faced with a set of clear proposals and choices; and, while there was not always agreement, clarity was maintained. Moreover, Ministers heeded the advice they received, in particular giving Beeching freedom to do the job at the expense of their inclination towards decentralisation. An acknowledgement that the 1953 Act had failed was implicit in the reforms introduced by the Transport Act, 1962: further increases in commercial freedom; reorganisation; reform of the Tucc procedure (discussed in the following chapter); and the admission that the railways had failed to pay their way. Most importantly, the 1962 Act was based on analysis rather than ideology. For example, Sir David Serpell recalled that Stedeford's organisational proposals reflected the SAG chairman's belief that 'he knew what was in Macmillan's mind - he probably did, but Macmillan changed it... these were shifting sands and I think rightly so, in a way'.²⁹³

The various investigations of the railways' plans and prospects in 1959 and 1960 illustrated three points: the existing management was not doing a good job; any new management needed to be set clearer objectives; and no reorganisation would alter the decline in certain areas of the railways' business. The first of these alone meant something had to be done, and, although the point was not recorded, it must have occurred to all involved that a general reorganisation had the advantage of enabling the dead wood at the Commission to be removed, without Robertson and his colleagues being so publicly blamed that they felt obliged to defend themselves. Henshaw's allegation of an anti-rail conspiracy is clearly wrong. Even Lapsley's view that the 1962 Act was primarily a response to the weak financial performance of the railways and that the reduction in the size of the system was a 'direct result of [the] policy of seeking a commercially viable railway system - a policy response to the "trigger" of accounting losses, on the assumption that the railways could be profitable',²⁹⁴ needs qualification.

293 Interview with Sir David Serpell, 3/4/95.

294 Lapsley, 'The Influence of Financial Measures on UK Railway Policy', Journal of Public Policy, vol.3, part 3, 1983, p.288.

Beeching's central task *was* to get the deficit under control;²⁹⁵ but his approach and the framework within which he worked reflected the thinking behind the 1961 White Paper on nationalised industries and Whitehall's attempts to get a picture of future transport demand. The smaller railway system which Beeching advocated (particularly the rationalisation of main-line capacity) was as much a response to the study of transport trends as to the losses of the BTC, while the Treasury's concerns about investment were not based simply on a desire to see the railways make a profit, but on its fears about the wider economic effect of public investment. Of course, the Commission's results made action inevitable and provided an opportunity for change, but the verdict on the Re-appraisal was as much a vindication of the suspicions held by some officials as a motive for change. The solutions were already forming as the problem emerged, so the Commission's failings were interpreted in terms of the future demand for rail and the relationship between nationalised industry and the Government. In a different political atmosphere, greater emphasis might have been placed on the need to attack costs and reduce the workforce, and the BTC's failings been seen as indicative of the problems of full employment. Had the work on the future demand for transport and the relationship between the nationalised boards and Whitehall not begun, the Commission's deficit might simply have been blamed on poor management, or the explanations of the Re-appraisal accepted.

Was the financial settlement too hard on the railways? Certainly its terms seem harsh in hindsight and an easier task might have improved morale and allowed the railways to build a surplus against future recession. Against this, the Treasury's reluctance to write-off any funds not definitely beyond retrieval was hardly unreasonable, and the relief of the deficit through subsidies for specific services was not yet practical. Moreover, the settlement seems harsher in hindsight because the railways were nowhere near break-even point by 1968.²⁹⁶ While this was foreseen, the extent of the shortfall was not clear in 1962. Ironically, the need for further closures and a contraction of the railway network, which was to cause so much public controversy in subsequent years, was arguably the least controversial aspect of the discussions in Whitehall during this period. To those closely involved, 'it was quite clear that something like this [closures on the

295 Interview with Sir David Serpell, 3/4/95.

296 The operating loss for 1968 was £83.5 million (Gourvish, British Railways, Table 47, p.397. Source: BRB Report and Accounts, 1968)

scale proposed by Beeching] would happen'.²⁹⁷ In as much as the issue was discussed at all, the question was not whether there should be more closures, but how reorganisation might speed the process. But to call this an attack on the railways is entirely misleading. All the available evidence supported the view that the Commission's social obligations needed redefining, and the 1962 Act did so on the sound principle that the decision to spend taxpayers' money on a social service is a political decision and should be taken by Ministers. It had taken the best part of a decade for the Conservatives to address the mess they had made of the railways in 1953. They were subsequently to discover, however, that there was much devil in the detail of even the soundest principles, and it is this to which the following chapter is devoted.

297 Interview with Sir David Serpell, 3/4/95.

6: Biting the Bullet

Opinion here of the Dr. Beeching closure proposals is that they are a monstrous embodiment of ruthless disregard for the thousands whose lives... are bound to suffer enormous... disruption if this inhuman plan is allowed to be carried out... it is like cutting off the nation's feet in order to save the cost of shoe leather.

Mrs Joan Price of Cavendish, Suffolk.¹

I would like Dr Beeching and Mr Marples to come out here for a month, leave their cars at home, and see how they would like it. That is the way to prove what hardship means... it gives us something to look forward to - our own little outings by train which we have enjoyed for a number of years. With no station and no trains we might as well be dead.

Miss M. M. Gray, of Fulmodestone, Norfolk.²

On the last down train on the Cirencester branch passengers were given free rolls and beer. As local feeling had run high over the withdrawal of passenger services an attempt was made to burn a 6-ft. effigy of the Minister of Transport at the station, but this was foiled by the railway police and the demonstrators set it alight on the pavement outside.

Railway Magazine, October 1964.³

It's only five minutes to Kemble in the car.

Sarah Keenan, Cirencester resident, born in the 1970s, 1998⁴

In March 1963 the British Railways Board (BRB) published The Reshaping of British Railways. It came in two parts: a Report and a set of maps, one of which showed the extent of the proposed passenger closures. The 2,363 stations to be closed, 266 services to be withdrawn and 71 to be modified were also listed in an appendix to the Report.⁵ As Minister of Transport, Ernest Marples dealt with 148 of these proposals before the

1 Public Record Office [PRO], MT 124/719, Withdrawal of Unremunerative Services: Stour Valley; Joan Price - Marples, 27/4/63.

2 PRO, MT 124/726, Withdrawal of Unremunerative Services: Melton Constable - Sheringham; M. M. Gray [councillor, Walsingham Rural District Council] - Marples, 1/10/63.

3 Railway Magazine, Vol. 110, No. 762, October 1964, p.748.

4 Conversation with Sarah Keenan, 9/7/98. Kemble, formerly the junction for Cirencester, is now the town's railhead.

5 Terence Gourvish, British Railways 1948-73 A Business History, (Cambridge: Cambridge University Press, 1986), p.406.

General Election of 1964.⁶ In 1963, he refused consent to two proposals which had been published before Reshaping, and between January and September 1964 rejected seven proposals in full, granting only partial consent in a further seventeen, before rejecting several immediately prior to the General Election.⁷

The symbolic importance of these closures is evident in two incidents involving the Carlisle - Silloth branch, closed in September 1964. Before the closure the local MP, William Whitelaw, was accosted by a constituent whose farm bordered the line. The farmer complained that if he was no longer able to see the branch train passing in the afternoon he would not know when it was time to go home for his tea. He was advised to get a watch.⁸ The subsequent closure was reported by the Railway Magazine:

detonators were placed on the line, and removed by a railway inspector and policemen, much to the distaste of onlookers. A placard ("If you don't catch this there'll be another one if you vote Labour at the next election") was repeatedly placed on the engine... only to be knocked away again by a police inspector. The local Socialist party... [shouted] anti-government remarks to the jeering crowd. Then came a sit-down on the line by dozens of "teenagers", and to clear them firstly hot steam, then hot water, was ejected from the cylinder drain cocks to aid the policemen. At last, to a cheering and jeering crowd of about 9,000, the 7.58 p.m. "last train from Silloth" departed - half an hour late - to the strains of [Brian Poole and the Tremeloes'] "Do you love me" which blared from transistor radios in the crowd.⁹

This was not just the loss of a local amenity, it was a fundamental alteration to a pattern of life: the old certainties steamed away, to the soundtrack of the new, 'Sixties, Britain. This convenient symbolism was less significant, however, than the fact that the 'teenagers' (the Railway Magazine, founded in 1897, felt the word still required inverted commas) were as unhappy at the loss of their railway as the watchless farmer.

Critics of the closure process have often attributed its perceived failings to Beeching himself, or to the BRB. Such criticism betrays a misunderstanding of the principle on which the policy was founded. The 'ruthless disregard' which Mrs Price

6 Ibid., p.443. Gourvish admits that it is difficult to be precise. PRO, CAB 134/2453, Cabinet Committee on Road and Rail Transport (RRT); Marples, 'Rail Passenger Closures Progress Report', RRT(64)27, 3/9/64 gives the figure of 140 services and seventeen stations.

7 Gourvish, British Railways, pp.442-3.

8 Interview with Lord Whitelaw, 23/3/95.

9 Railway Magazine, Vol. 110, No. 762, October 1964, p.798.

refers to above or the ‘callous’ way in which, according to Richard Lamb, Beeching ‘ignored the social consequences of his measures’.¹⁰ simply reflect the division of responsibility between railway management and the government under the new policy towards the nationalised industries. In theory, the 1962 Act required the railways to break-even by 1 January 1969, and Beeching had only to concern himself with this task,¹¹ indeed, it was vital that he did so, if the railways were to be absolved from blame for the losses made by services retained on social grounds.

The social consequences, therefore, were the Government’s problem. There was no question that some loss-making lines would survive on social grounds and a number of statements to this effect had been made, prior to the publication of Reshaping.¹² While Reshaping was being prepared, MoT deputy secretary, David Serpell, warned the Commission that:

much would still depend on what the... [local Transport Users’ Consultative Committee (TUCC)] say about hardship and any recommendation they may make about alternative services... it will at times be necessary to consider not how much the Railways themselves might save by a closure, but what the wider economic effects might be, e.g. through the necessity to build or widen a road or because of the cost of an alternative service.¹³

The other side of this division of responsibility was the policy that if the BRB sought to withdraw a service which appeared to be making money, the Minister would not withhold his consent unless there was some other reason for refusal (in practice this was perhaps not terribly significant as the Minister would not consent if the cost of alleviating hardship

10 Richard Lamb, The Macmillan Years - The Emerging Truth, (London: John Murray, 1995), p.440.

11 Reuben Kelf-Cohen, Twenty Years of Nationalisation: The British Experience, (London: Macmillan, 1969), pp.86-7; Transport Act 1962, 10 and 11, Eliz. II, 10; S.22.

12 PRO, CAB 134/2397, Cabinet Committee on Population and Employment (PE); fourth meeting, 11/2/63. The statements are listed in CAB 134/2426, Cabinet Committee on Reorganisation of the Railways (R); Marples, ‘Passenger Closures: Public Statements and Past Experience of Transport Users Consultative Committee Procedure’, R(63)5, 22/2/63, annex A.

13 PRO, MT 124/664, Railways Board: Formulation of Beeching Plan; Discussions with BTC; Serpell - Fred Margetts [BTC, Operation and Planning], 20/11/62.

was known to outweigh the saving to the Board - which was virtually inevitable if the service was profitable).¹⁴

In practice, the developments in transport policy discussed in Chapter Four had modified the division of responsibility between Whitehall and Marylebone Road (headquarters of the BRB) to the extent that the BRB only proposed the closure of commuter services in urban areas if they were losing money *and* it seemed unlikely 'that a purely commercial decision would conflict with a decision based upon total social benefit'.¹⁵ In rural areas the Board took a different line. For example, it told the Ministry that even if the East Dereham - Wells branch in Norfolk could be made to break-even 'it would not be the sort of service which we ought to be engaged in. It is against the whole conception of [Reshaping]... that we should'.¹⁶ This was a reference to Reshaping's argument that 'to a large degree, proposals included in the plan are interdependent... realisation of many of the savings depends upon adoption of the plan as a whole'.¹⁷

This chapter examines the Government's role in implementing the closure programme in the eighteen months of Conservative rule which remained after Reshaping's publication. It begins by setting out the structure for dealing with the passenger closure programme in Whitehall and at Cabinet level, before discussing the presentation of the plan, both in relation to its publication and the efforts of Ministers to influence the order in which proposals were published and decisions announced. Three criticisms of the closure programme are then discussed: that the financial justification for closures was flawed; that the social consequences were ignored; and that Beeching should have attempted to cut costs across the board as an alternative to the closure programme. Ministers' handling of specific closure proposals is then discussed in relation to three themes: the relationship of the closure programme to the Government's wider policy on

14 PRO, MT 124/725, Withdrawal of Unremunerative Services: East Dereham to Wells-next-the-Sea; MoT Working Party on Closures, nineteenth meeting, 18/2/64.

15 PRO, CAB 134/2452, Cabinet Committee on Reorganisation of the Railways (RR); Marples' comments at RR(63), first meeting, 2/12/63. See also CAB 134/2426; Report of the Interdepartmental Working Party on Railways, R(63)11, 18/7/63, [hereafter IDR Report], p.22.

16 PRO, MT 124/725; Haygreen [BRB] - J. Baxter [MoT assistant secretary], 23/1/64.

17 British Railways Board, The Reshaping of British Railways, (London: HMSO, 1963), p.54.

the "modernisation of Britain"; concerns about the effect of the programme on the holiday trade; and its implications for urban congestion. Finally, I comment briefly on the extent to which Conservative policy immediately prior to the 1964 General Election presaged the policies of the subsequent Labour Government.

The railways¹⁸ were free under the Transport Act, 1962 to close freight services as they saw fit, although they were required to publish their intentions. Proposals to discontinue passenger services had to be published individually by the Board, and, if objections were made, the proposal entered the Consultative Committee procedure, which had been significantly altered by the 1962 Act. It was clear that 'much more space has been devoted to procedure in the 1962 Act than in the original Transport Act, primarily in order to reduce the time spent on closure proposals'.¹⁹ Similarly, the information on closure proposals given to the TUCCs was of a more limited nature than previously. The Central Committee (CTCC) was now a purely supervisory body monitoring the work of the TUCCs. The really significant change was that the TUCCs were now confined, or so it seemed, to reporting on the level of hardship a closure would cause, and the means by which that hardship might be alleviated.²⁰

In fact, as the North Eastern and North Western TUCCs were to show over twenty years later, the Act did not confine them to considering objections based on hardship, nor did it prevent them reporting on matters other than hardship. The wording of the Act obliged the TUCC to report to the Minister on hardship and its alleviation, but imposed no restriction on the what else the report might contain.²¹ However, as the Minister only considered recommendations on hardship, the CTCC handbook laid down that TUCCs

18 Under the Transport Act, 1962, on 1 January 1963 the British Railways Board took control of its assets from the BTC which ceased to exist. Most of the preparation of the Report was, therefore, carried out by the BTC, although it was published by the BRB.

19 M. Howe, 'The Transport Act, 1962, and the Consumers' Consultative Committees', Public Administration, vol.42, spring 1964, p.49.

20 Gourvish, British Railways, pp.436-7.

21 James Towler, The Battle for the Settle and Carlisle (Sheffield: Platform 5. 1990), appendix 2: Summary of conclusions of the North East and North Western TUCCS into BR's closure proposal, S.7.

would only look at this issue.²² Having received the Tucc report, the Minister then considered this and all other relevant factors and either gave or withheld his consent to closure. He could also attach conditions to his consent; for example, that an alternative bus service must be provided.

The MoT's role in presenting the closure plans was sometimes referred to as the 'facade'. However, Serpell assured Marples and Permanent Secretary Sir James Dunnett that 'the "facade" will, in fact, be a good deal more than a facade'.²³ In addition to the Interdepartmental Working Party on Railways (IDR), the Railways B (RB) division of the MoT, under an assistant secretary and two principals, was devoted entirely to handling closures.²⁴ The assistant secretary of RB Division also chaired a working party on closures which considered individual cases. This included representatives of various MoT divisions, the Ministry of Agriculture Fisheries and Food and the Ministry of Housing and Local Government (MHLG). Once a case had been considered here, it passed to another committee chaired by the Parliamentary Secretary, Thomas Galbraith, which in turn advised the Minister.²⁵

Richard Lamb has written that the 'additional demands on our roads' resulting from Reshaping were not properly considered by the Macmillan Government.²⁶ However, apart from the awareness that the Railways had a role to play in tackling urban congestion, and despite the belief that, in general, the displacement of rail traffic to the roads would not greatly increase road traffic, officials considered the need for road improvements to accommodate such traffic to be 'the main point for consideration within the Ministry'.²⁷ The matter had been taken up with Beeching in 1962. He felt that road

22 Howe, 'The Transport Act, 1962, and the Consumers' Consultative Committees', Public Administration, spring 1964, p.50.

23 PRO, MT 124/666, Railways Board: Presentation of Beeching Plan; Serpell - Dunnett/Marples, 2/11/62.

24 PRO, PRO Guide, Part One: History of Government, (Kew: PRO, 1998), 628/2/5; Imperial Calender 1964, (London: HMSO, 1964).

25 For example, PRO, MT 124/725; MoT Working Party on Closures, nineteenth meeting, 18/2/64; Galbraith - Marples, 26/2/64.

26 Lamb, The Macmillan Years, p.439 .

27 PRO, MT 124/664; Peter Scott-Malden [MoT under secretary], 'The "Beeching Plan" for the Railways', 29/11/62.

improvements would only be necessitated by a small proportion of closures. He cited the following cases: Scotland north of Inverness; Haltwhistle - Alston; 'a minor accentuation of difficulties which may sometimes exist on roads in west Wales, Central Wales and parts of Devon and Cornwall';²⁸ a greater problem on roads west of Salisbury and 'a real problem on the north - south road across the Isle of Wight'.²⁹ The MoT's Divisional Road Engineers (DREs) were asked to consider the relationship between Reshaping's closure proposals and the road programme in respect of: the need for new or accelerated improvements; resulting congestion; possible savings, such as cutting out bridges on new roads over closed lines; and the possibility of using closed lines for new roads.³⁰ Among other things, this identified the lack of adequate roads in the Tamar valley which has since prevented the closure of the line from Plymouth to Gunnislake.³¹ The RB division received reports from the DREs on individual closure proposals.³²

The Minister's handling of closure cases was subject to the influence of his colleagues, formally exercised through a succession of Cabinet committees. The Cabinet Committee on the Reorganisation of the Railways, chaired by "Rab" Butler, First Secretary of State, and containing half the Cabinet, was established in February 1963 to consider matters arising from the railways' plans.³³ After two meetings to discuss the publication of Reshaping, it met only twice (on 30 May and 1 August) before Sir Alec

28 PRO, MT 124/664; Beeching - Marples, 14/11/62.

29 Ibid.

30 PRO, MT 100/75, Highways Planning and Development: Effects of Rail Closures; Policy; G. Oversby-Powell [MoT Senior Civil Engineer], 'The Road Programme', 1/5/63.

31 Ibid.

32 For example, PRO, MT 124/725; A. K. Richards, [DRE, Eastern Division] 'Railway Passenger Closure Proposals List no.10, Dereham to Wells-next-the-Sea', 26/9/63.

33 PRO, CAB 134/2426; Terms of Reference, R(63)1, 21/2/63. The other members were: Marples; Lord Hailsham [Lord President]; Reginald Maudling [Chancellor of the Exchequer]; Henry Brooke [Home Secretary]; Iain Macleod [Chancellor of the Duchy of Lancaster]; John Hare [Minister of Labour]; Frederick Erroll [President of the Board of Trade]; Michael Noble [Secretary of State for Scotland]; Keith Joseph [Minister of Housing and Local Government and Minister for Welsh Affairs]; William Deedes [Minister without Portfolio]; Richard Wood [Minister of Power]; Martin Redmayne [Chief Whip]. Enoch Powell [Minister of Health] joined on 19/3/63 (R(63)8).

Douglas-Home replaced Macmillan as Prime Minister in October. In July a Sub-committee on Passenger Closures, chaired by Macleod, Chancellor of the Duchy of Lancaster and Chairman of the Conservative Party, was established, but this only met once (on 2 August).³⁴ Douglas-Home abolished the original committee and reconstituted the Sub-committee as the Cabinet Committee on Reorganisation of the Railways, with a new membership.³⁵ This committee met only once (on 2 December) before it was superseded by the Committee on Road and Rail Transport, which managed ten meetings before the 1964 General Election.³⁶ Less than twenty cases came before these committees, although their work on the broader aspects of policy (for example, the closure of lines to holiday resorts) affected many more.

Like the Modernisation Plan before it, Reshaping was a statement of intent rather than the last word. The closure programme it set out, part of which had already been carried out,³⁷ merely represented the acceleration and fulfilment of a policy which Whitehall had been urging on the railways since 1956. The advantages of presenting closures as part of a plan had been considered then, and appeared attractive to Ministry officials now. It seemed that the pace of the railways' contraction 'was limited not by lack of knowledge as to how far the railway system should in the long run contract, but by the political difficulties involved in any contraction'.³⁸ MoT under secretary Elizabeth Ackroyd felt this problem should be addressed by:

34 CAB 134/2429, R(63) sub-committee on Passenger Closures (R(C)). The other members were: Marples; Hare; Erroll; Deedes; Joseph; and John Boyd-Carpenter [Chief Secretary to the Treasury].

35 PRO, CAB 134/2452. The members were Lord Blakenham [Chairman of the committee, Chancellor of the Duchy of Lancaster, and Conservative Party Chairman]; Marples; Boyd-Carpenter; Noble; Joseph Godber [Minister of Labour]; Joseph; Deedes; David Price [Parliamentary Secretary, Board of Trade].

36 PRO, CAB 134/2453. The membership was identical to that of the Committee on Reorganisation of the Railways (previous note), except for the addition of Selwyn Lloyd [Lord Privy Seal].

37 Gourvish, British Railways, pp.406-7. Some ten per cent of the stations listed had already closed.

38 PRO, MT 96/169, Long-Term Transport Policy Steering Group (Hall Group): Policy; note of meeting, 3/5/61.

the preparation of a plan... and drew attention to French experience, where the mere existence of an economic plan had a powerful psychological effect... it should be clearly stated why it was believed that the railway system would have to be drastically reduced.³⁹

The publication of a plan would allow less emphasis to be placed on the consultative procedure, and would concentrate Parliamentary discussion of the issue on a set-piece debate on the plan rather than the constant contesting of individual decisions.⁴⁰ Given that public opposition and the consultative process had hampered the implementation of such a policy in the past, Gourvish's verdict that the Plan was aimed at the public rather than the transport expert should come as no surprise.⁴¹ The attempt to project the closure programme as the inevitable result of financial logic and the reform of the TUCC process were two edges of the same axe.

In June 1962, the Ministry envisaged that, rather than publishing a plan, the Commission would emphasise the need to streamline the railway system in its annual report for 1961, to be published that month, and 'describe, and give their reasons for, the sort of railway system they envisage'⁴² at a press conference between October 1962 and January 1963. This would quickly be followed by the publication of detailed regional plans and individual proposals.⁴³ Beeching was pressing the railway regions to prepare a comprehensive closure programme by October,⁴⁴ but this deadline was not met. By late November, officials anticipated a plan consisting chiefly of a catalogue of passenger services to be withdrawn, which would not be comprehensive with regard to urban closures or the rationalisation of main lines. The plan would also outline 'a new pattern of freight operation'.⁴⁵

39 Ibid.

40 PRO, MT 124/306, Transport Bill 1961-62, TUCC: Policy, anonymous, undated paper 'Closing of Railway Lines and Uneconomic Services'. This was produced between January and June 1961, when the MoT began to consider the consultative procedure.

41 Gourvish, British Railways, p.415.

42 PRO, MT 124/664; Serpell - Major-General Llewellyn Wansbrough-Jones [BTC Secretary General], 6/6/62.

43 Ibid.

44 PRO, MT 124/664; Scott-Malden - Serpell, 20/7/62.

45 PRO, MT 124/664; Margetts - Serpell, 18/10/62; Scott-Malden, note, 29/11/62.

It was only when they met BTC representatives in December 1962 to discuss the traffic studies on which the plan would be based, that officials realised just how much work remained to be done on those aspects of the plan other than passenger closures.⁴⁶ The Commission's representatives not only held the view that 'the negative aspects of the reshaping must inevitably come forward in advance of the more positive side',⁴⁷ but were unable to provide much information on the positive side, admitting that 'the plans for attracting freight traffic at present passing by other means of transport were a longer-term and more hazardous task than that of cutting down the system to a realistic size and reducing operating costs'.⁴⁸ Quite apart from the flimsy basis of the Board's estimate that some 90 million tons of freight traffic not using rail was suitable for rail (see Chapter Four, pp.177-8), it appeared that no assessment had been made of the capital investment necessary to win this traffic, or how charges should be altered to attract it; and there were fundamental problems with some of the new technology upon which the plan relied.⁴⁹ Moreover, the programme of freight service withdrawals was inseparable from these positive aspects.⁵⁰ Ministry officials found this 'rather disconcerting',⁵¹ in particular as the previous week the Parliamentary Secretary had told the House of Commons that 'I am sure [the plan] will not be put to us in a half-baked form.... It will not be a plan for closing down the railway system. It will be a plan to create the right kind of railway system for the second half of the twentieth century'.⁵²

On 11 February 1963, Marples reported on Beeching's forthcoming proposals to the Cabinet Committee on Population and Employment, although his officials still had 'no real knowledge of what is in the report'.⁵³ It was immediately apparent to Ministers that

46 PRO, MT 124/664; note of meeting, 4/12/62; Scott-Malden - Serpell, 5/12/62.

47 PRO, MT 124/664; note of meeting, 4/12/62.

48 Ibid.

49 Ibid.

50 Ibid.

51 PRO, MT 124/664; Scott-Malden - Serpell, 5/12/62.

52 John Hay [MoT Parliamentary Secretary], House of Commons [HoC], Official Report, 29/11/62, col.684.

53 PRO, MT 124/666; Scott-Malden, Minister's brief for Population and Employment Committee meeting on 11/2/63, 8/2/63.

‘the publication of the plan would attract intense interest’,⁵⁴ but there were wide differences of opinion over how the Government should handle it.⁵⁵ The difficulty lay in demonstrating of support for the BRB’s attempts to achieve solvency, while appearing ‘determined to take due account of the social arguments for maintaining railway lines’.⁵⁶ Ministers were attracted to the idea that the Government should consider the proposals before they were published and ‘reduce the size of the bang by removing some of the explosive’⁵⁷ - cutting out those proposals which were bound to be rejected on social grounds before the whole plan was made public. They considered the possibility of publishing individual closures from time to time rather than as a whole in the form of a plan, but quickly ruled this out as several public references to the preparation of the plan had already been made.⁵⁸ It was decided that, as the Government would be under pressure to publish the plan as soon as it was ready, work should begin immediately on a statement to accompany publication.⁵⁹

As usual with Cabinet committees on railway policy, the Committee on the Reorganisation of the Railways was asked to work quickly and produce an interim report by the end of the month. This would indicate when, and if, the plan should be published, whether a list of uneconomic lines which would not be closed should be agreed with the BRB and issued in conjunction with the plan, and, if so, how these services were to be paid for.⁶⁰ Following the pattern of Ministerial action on railway policy in 1952 and 1956, however, the desire to act quickly was not matched by an ability to do so. The committee did not produce answers to any of these questions by the end of February, indeed it did not meet until 4 March.⁶¹

54 PRO, CAB 134/2397; PE(63), fourth meeting, 11/2/63.

55 PRO, CAB 21/4813, Composition and Terms of Reference of Cabinet Committees: Committee on Reorganisation of the Railways; Peter Baldwin [Cabinet Office assistant secretary] - Arthur Cary [Deputy Secretary to the Cabinet], 12/2/63.

56 PRO, CAB 134/2397; PE(63), fourth meeting, 11/2/63.

57 PRO, CAB 21/4813; Cary - Sir Burke Trend [Cabinet Secretary], 13/2/63.

58 PRO, CAB 134/2397; PE(63), fourth meeting, 11/2/63.

59 Ibid.

60 PRO, CAB 21/4813; Trend - Butler, 19/2/63.

61 PRO, CAB 134/2426; R(63), first meeting, 4/3/63.

The committee agreed that Reshaping should be published without any major alteration or the removal of any closure proposals. Perhaps Cabinet Secretary Sir Burke Trend passed on the advice of his deputy who believed it unlikely that such a move could be made in secret and that, if discovered, it would subject the Government to the criticism that 'they have dismissed without examination plans which have taken many months to mature and that they have once again shown themselves lacking in any sense of constructive leadership'.⁶² Ministers remained divided, however, on whether the Government's statement should include examples of areas where special considerations might apply.⁶³ Presentational arrangements were discussed at the first two meetings of the committee on 4 and 13 March and at two Cabinet meetings on 14 and 21 March. The Government would broadly endorse Reshaping and invite the BRB to begin submitting cases to the TUCCs, starting with the least controversial ones. Meanwhile, the Government and the Board would begin general consultations with such bodies as local authorities, the Federation of British Industries and the National Coal Board (NCB), in preparation for a more detailed statement and Parliamentary debate in May.⁶⁴ The press would receive copies on 25 March and Marples, Hay and Board members other than Beeching would give a series of interviews the following day. Publication at noon on the 27 March would be followed by a statement from Marples in the House of Commons and a press conference. Prior to publication, the Board released to Granada Television a film it had made explaining its proposals.⁶⁵

Ministers felt that the possible elimination of the deficit should be presented as incidental to the main purpose of Reshaping:

it would... be desirable to avoid giving the impression that the Government were concerned primarily with making the railways pay... losses arose from the fact that the system was not related to present needs and the principal objective should be to reshape it.⁶⁶

62 PRO, CAB 21/4813; Cary - Trend, 13/2/63.

63 PRO, PREM 11/4548, Reorganisation of the Railways: Discussions on the Beeching Plan, part six; Trend - Macmillan, 20/3/63.

64 PRO, CAB 134/2426; R(63), first meeting, 4/3/63.

65 PRO, CAB 134/2426; R(63), second meeting, 13/3/63.

66 Ibid.

Reshaping received generally favourable coverage in the media,⁶⁷ and it was certainly considered a success by the Conservatives; so much so that when the Buchanan Report, Traffic in Towns, appeared later the same year, both William Deedes, Minister Without Portfolio (who was responsible for Government publicity), and the Conservative Research Department saw the presentation of Reshaping as the successful example which they would need to replicate if the Buchanan Report was to be accepted by the Party and the public.⁶⁸ The presentation of Reshaping had succeeded, it was felt, because 'the compelling facts of the problem'⁶⁹ received as much publicity as the unpleasant conclusions. However, as the Cabinet foresaw, the gap between Reshaping's publication and the first TUCC hearings meant that Beeching's conclusions came to overshadow his arguments and allowed 'sectional and local discontent... to obscure the favourable impression which effective initial presentation' had created.⁷⁰ As a result, Ministers took considerable interest in the handling of the closure process and Marples found himself in conflict with several of his colleagues.

In May 1963, the Chief Whip, Martin Redmayne, wrote to Bligh asking if the Prime Minister would make it clear to Marples that his decisions on closure were to be overseen by the Cabinet committee. Marples had appeared surprised when the Chief Whip mentioned this to him, and although Redmayne did not believe that Marples would object to the arrangement, he remained 'a little worried as to whether the Minister of Transport is going to handle the political implications of the Beeching proposals in a way which will necessarily be acceptable to Ministers generally and to the Party'.⁷¹ Macmillan passed this message on,⁷² and a few days later the Cabinet committee met to assess the future progress of the closure programme. At this meeting, the question of

67 Gourvish, British Railways, p.414.

68 Bodleian Library, Conservative Archive, CRD 2/19/10; 'Crowther and Buchanan Reports - Political Reactions', 8/8/63; Deedes - Michael Fraser [CRD Director], 13/8/63.

69 Bodleian Library, Conservative Archive, CRD 2/19/10; 'Crowther and Buchanan Reports - Political Reactions', 8/8/63.

70 PRO, CAB 128/37; Cabinet conclusions, CC(63)16(7), 14/3/63.

71 PRO, PREM 11/5166, Reshaping of British Railways, Beeching part seven; Redmayne - Timothy Bligh [Macmillan's Principle Private Secretary], 17/5/63.

72 PRO, PREM 11/5166; Macmillan - Marples, 20/5/63.

planning the presentation of decisions to achieve the most favourable publicity was deferred to a later date, while Ministers discussed, 'in the light of both political and economic considerations',⁷³ the order in which proposals should be examined. It was suggested that the least controversial proposals be published first.⁷⁴ This was motivated partly by a desire to postpone the real trouble until after the next election.⁷⁵

At this meeting, discussion of controversial closures centred on five major lines in Scotland: Inverness to Wick and Thurso; Dingwall to Kyle of Lochalsh; Ayr to Stranraer, Dumfries to Stranraer; and Edinburgh to Carlisle via Hawick (known as the Waverley Route). The Secretary of State for Scotland, Michael Noble, wanted the Government to announce that these lines would not be considered for closure for three to five years. He argued that closure would have a profound social and economic effect, would save only £300,000, and would take a long time anyway.⁷⁶ The Secretary of State was already unhappy that the BRB had refused to provide him with the relevant information on the five Scottish cases.⁷⁷ When the committee met again in August, he had still not been given the detailed figures he wanted, while Beeching had resisted the suggestion that the Government might influence the order in which proposals were published. The Board argued that it intended to spread controversial cases and was already holding back proposals affecting suburban services where social benefit might outweigh commercial factors. It was not prepared to delay proposals simply because they might prove unpopular.⁷⁸ Marples agreed, as he could delay his own decision on any TUCC reports he received on the grounds that all closures in a certain area should be considered together or that a transport survey was required. However, as his colleagues felt that the most vigorous opposition to closures would occur between the publication of

73 PRO, CAB 134/2426; R(63), third meeting, 30/5/63.

74 Ibid.

75 PRO, PREM 11/5166; Redmayne - Bligh, 29/10/63.

76 PRO, CAB 134/2426; R(63), third meeting, 30/5/63.

77 Ibid.

78 PRO, CAB 134/2426; R(63), fourth meeting, 1/8/63.

a proposal and the actual closure⁷⁹ - a period which Marples' suggestion would lengthen - this was not a particularly helpful suggestion.

Noble was prepared to let most Scottish cases run their course without interference, but he continued to argue that the Board should be persuaded not to publish the five proposals he had raised in May until their consequences had been examined.⁸⁰ His colleagues rejected this idea, which would surely have invited pressure to do the same elsewhere. However, they felt that, 'the Government were entitled to the co-operation of the Railways Board in adjusting the timing of proposals so as to minimise controversy and obtain decisions quickly on proposals which were likely to obtain the greatest saving'.⁸¹ As this implied, some of Marples' colleagues assumed that the cases which offered the greatest savings would also be the least controversial.⁸² This was not so, however. For example, the 21 closures which Marples approved in March 1964 saved a total of £800,000 a year, but the two he vetoed at the same time (Shrewsbury - Llanelli and Ayr - Kilmarnock) would have saved £215,000.⁸³ Ten examples of the financial effect of closing specific lines were provided in Reshaping. These illustrate why the greatest savings were often promised by the most difficult lines to close. The six-mile branch line from Banff to Tillynaught earned a mere £600 a year gross, and was obviously extremely lightly-used in comparison with the York - Hull service which took £90,400 a year, yet Reshaping estimated that the net saving from closing the former would be only £10,900 compared to £81,110 from the more useful line. There is nothing particularly odd about this, as lines which had some use to people incurred costs as a result. However pointless the Banff line may have been, it did not cost a lot to operate - its total direct expenses were roughly one tenth of those incurred by the York - Hull line.⁸⁴ Another factor in this apparent perversity was that long lines serving remote areas, such as Shrewsbury -

79 Ibid.

80 Ibid.

81 Ibid.

82 Ibid.; PRO, CAB 134/2426; R(63), third meeting, 30/5/63.

83 PRO, PREM 11/5167, Reshaping of British Railways, Beeching part eight; cutting: The Times, 4/3/64.

84 BRB, Reshaping, pp.100-101.

Llanelli were harder to replace with buses than short lines, and yet obviously more expensive to operate.

Ministers decided to draw the Board's attention 'to the need to have regard to the political consequences if their programme of closure proposals was to be put through successfully, and they should be advised on the order in which the Government considered that it would be best to publish the sensitive cases'.⁸⁵ The task of examining the detailed timing of closure proposals was delegated to the Sub-committee on Passenger Closures, which met on 2 August.⁸⁶ At the full committee meeting, it had been suggested that instead of deferring cases, 'there might be advantage in early publication and decision'⁸⁷ on proposals to which the Minister was likely to refuse his consent. At the sub-committee meeting, Macleod reminded his colleagues that:

it was important that the proposals reaching the Minister of Transport in the early part of the winter, on which he would be announcing decisions in the spring, should be properly balanced so that the Minister could be seen on the one hand to be giving his full support to the Railways Board when their proposals were economically and socially justified and, on the other hand, to be prepared to refuse his consent or to demand alternative arrangements when a proposal was likely to cause hardship.⁸⁸

Marples then invited Ministers to put to him any proposals which they felt should be *brought forward* into 1963.⁸⁹

The Chief Whip seems to have been unaware that his colleagues were already planning to speed up the publication of controversial cases. Following Sir Alec Douglas-Home's arrival as Prime Minister in October 1964, Redmayne warned that:

it has been put to me by one or two senior members that our policy in respect of railway closures, although originally timed to postpone the most unpopular examples in order that they might possibly fall after an election, should now be changed, and that in view of the fact that an election may well be delayed for a considerable time we should try to get these closures out of the way.⁹⁰

85 PRO, CAB 134/2426; R(63), fourth meeting, 1/8/63.

86 PRO, CAB 134/2429; R(C)(63), first meeting, 2/8/63.

87 PRO, CAB 134/2426; R(63), fourth meeting, 1/8/63.

88 PRO, CAB 134/2429; R(C)(63), first meeting, 2/8/63.

89 Ibid.

90 PRO, PREM 11/5166; Redmayne - Bligh, 29/10/63.

By this time, Macleod had drawn up a list of proposals which might be advanced. The list consisted of four groups of proposals: nineteen in the West Country; fourteen in the rest of England; the five Scottish cases; and six in Wales. Marples had already asked Beeching if four Scottish and two Welsh cases could be brought forward. Noble had concluded that the fifth Scottish case, the Waverley Route, 'might be a hard one to keep open. I would not therefore regard it as a useful one to have a decision about quickly unless on further investigation it seems pretty certain that we should be able to keep it open'.⁹¹

The list was not considered until the reconstituted committee met in December, by which time the balance of opinion had swung towards the view that given 'the length of time being spent on difficult cases'⁹² there might not be any advantage in bringing their publication forward. Moreover, some Ministers now felt that there were proposals which should be *deferred or withdrawn* on the grounds that no decision could be taken until a transport survey had been completed, or because a closure decision would conflict with other policies (primarily decisions on whether or not to grant development area status to a particular locality).⁹³ Marples was asked to consider a list of such cases to be drawn up by the Scottish Development Department, the MHLG and the Board of Trade.⁹⁴ The new approach was discussed at the first and second meetings of the Road and Rail Transport Committee, in December 1963 and January 1964.⁹⁵ By this time, Beeching had advanced publication of the four Scottish cases which concerned Noble. Marples

91 PRO, CAB 134/2429; Macleod, 'Timing of Closures', R(C)(63)4, 15/10/63.

92 PRO, CAB 134/2452; RR(63), first meeting, 2/12/63.

93 Ibid. One example was Southport, which the Board of Trade had refused to schedule as a development district because its inhabitants could commute to Liverpool on a line Beeching had scheduled for closure (Ibid).

94 Ibid. The new list contained some cases which had appeared in the earlier one, plus some eight suburban services in Glasgow, one in London, two in the South East, two in the North East, and five in Liverpool and Manchester, which were all affected by local or regional studies, and two others which concerned the Board of Trade. Several of these new cases had been published, or were about to be (PRO, CAB 134/2453; Marples, 'The Timetable for Passenger Closure Proposals', RRT(63)2, 12/12/63, appendix one). In addition, two cases (Lincoln - Firsby and Witham - Maldon) were added to the original list, even though both had been published (Ibid., appendix two).

95 PRO, CAB 134/2453; RRT(63), first meeting, 16/12/63; RRT(64), first meeting, 8/1/64.

appears to have been determined to resist pressure for further interference in the statutory procedure, particularly as 'extremists have already said [the TUCCs] are a sham'⁹⁶ and the two lists represented some twenty per cent of the total anticipated saving from passenger closures.⁹⁷

Ministers recognised that if too many special cases were identified and postponed the Government would appear to have withdrawn its support for the BRB.⁹⁸ Nevertheless, given the apparent overload of the TUCC process, some Ministers felt that the Board should be persuaded to postpone publication of some proposals either for six months or until the TUCC could find time to deal with them. Marples opposed this, fearing that the intervention would become public, and, as a compromise, eight cases were selected for deferment: the remaining major Scottish closure (the Waverley line); one London case; four Manchester and two Merseyside suburban services.⁹⁹ The issue came to the Cabinet on 17 January. Behind the official record, one can glimpse the pressure Marples was under, 'it was emphasised that prolonged public controversy, such as had been aroused by the proposal to discontinue passenger services in the Highlands of Scotland, was damaging to the Government's interests.'¹⁰⁰ However, the Minister stood his ground, arguing that to defer some cases would lead to demands for others to be treated in the same way and would appear to indicate a change of policy. The Cabinet appear to have been swayed by the argument that if deferment was made on the grounds that the TUCCs had enough work already, these objections fell, and Beeching was asked to postpone the eight cases selected by the committee, and one additional Merseyside case: Birkenhead - Helsby.¹⁰¹ He agreed with reluctance, and with the exception of one (Manchester - Glossop) which was too far advanced.¹⁰² Of these nine proposals, two have since taken place and three others have been partially implemented. Of the 46

96 PRO, CAB 134/2453; Marples, RRT(63)2, 12/12/63.

97 PRO, CAB 134/2453; RRT(64), first meeting, 8/1/64.

98 PRO, CAB 134/2453; RRT(63), first meeting, 16/12/63.

99 PRO, CAB 134/2453; RRT(64), first meeting, 8/1/64.

100 PRO, CAB 128/38; Cabinet conclusions, CM(64)5(4), 17/1/64.

101 Ibid.; PRO, PREM 11/5167; Trend - Douglas-Home, 19/2/64.

102 PRO, CAB 128/38; Cabinet conclusions, CM(64)14(3), 25/2/64.

proposals in the list of controversial closures, 25 have since been fully implemented and a further ten partially so. The other eleven remained open in 1989.¹⁰³

By June 1964, the forthcoming General Election was a major factor in Ministers' consideration of the closure programme, although the event itself was not referred to in the minutes of their meetings. With typical discretion, the minutes of the Road and Rail Transport committee recorded that 'it might be desirable'¹⁰⁴ not to take decisions on cases in which the TUCC anticipated hardship after the dissolution of Parliament, as members would not have the opportunity of discussing cases with Marples, and to ensure that 'the Railways Board did not publish a larger number of proposals than the TUCCs could currently consider'.¹⁰⁵ However, to Ministers' dismay, Beeching soon indicated that he wanted to publish as many proposals as possible before the autumn,¹⁰⁶ and this was typical of his resentment of attempts to nudge him along a politically convenient path.¹⁰⁷

The announcement of decisions was co-ordinated to minimise controversy. In February, Marples reported to his committee colleagues on his intention to hold a press conference to announce some twenty decisions.¹⁰⁸ He faced the problem that 'the Secretary of State for Scotland has already decided that he cannot afford to have nothing but consents in the first decisions announced on Scottish cases',¹⁰⁹ but felt that 'there are one or two proposals currently being considered in our Departments which may result in a refusal',¹¹⁰ and 'if my colleagues accept my proposal for the Central Wales line [that Shrewsbury - Llanelli should stay open] and the Secretary of State and I agree at

103 Alan Jowett, Jowett's Railway Atlas of Great Britain and Ireland from Pre-Grouping to the Present Day, (Wellingborough: Patrick Stevens, 1989). This refers to the 44 cases in PRO, CAB 134/2429, Macleod, R(C)(63)4, 15/10/63, and the two added later.

104 PRO, CAB 134/2453; RRT(64), fifth meeting, 9/6/64.

105 Ibid.

106 PRO, CAB 134/2453; RRT(64), seventh meeting, 22/7/64.

107 Gourvish, British Railways, p.442.

108 PRO, CAB 134/2453; RRT(64), third meeting, 12/2/64.

109 PRO, CAB 134/2453; Marples, 'Central Wales Line', RRT(64)5, 5/2/64.

110 Ibid.

least one refusal in Scotland we should thus have a representative set of decisions to present'.¹¹¹ Marples realised that this might be criticised on the grounds that announcements of consents had been delayed until it was possible to include refusals in the list, but he felt that criticism of this approach was outweighed by its advantages, 'particularly in view of opinion in Scotland'.¹¹² Marples also balanced the announcement of his consent to the closure of two branch lines from Hull and of Dumfries - Stranraer with the Ayr - Stranraer refusal,¹¹³ and four consents with his refusal of the Buxton - Manchester proposal.¹¹⁴ The rate of decisions slowed after the March press conference and by May the press was alleging that this was deliberate, although the Ministry attributed the delays to the burden imposed by correspondence and Parliamentary questions arising from the March decisions.¹¹⁵ In July, the BRB sent the Ministry a list of 30 outstanding cases, seventeen of which had been at the Ministry for over six months.¹¹⁶ Three days later the committee met again and, by the end of the month, had agreed nine consents and two refusals.¹¹⁷

The new consultative procedure caused public concern well before the closures began.¹¹⁸ At a meeting of the Conservative Parliamentary Transport Committee addressed by Marples in May 1963, some MPs suggested that the consultative procedure 'needed strengthening in order to secure a fair hearing of objections'.¹¹⁹ Ministers discussed this problem in December 1963. The Lord Privy Seal informed his colleagues that both inside

111 Ibid.

112 PRO, CAB 134/2453; RRT(64), third meeting, 12/2/64.

113 PRO, CAB 134/2453; RRT(64), sixth meeting, 13/7/64.

114 PRO, CAB 134/2453; RRT(64), seventh meeting, 22/7/64.

115 PRO, CAB 134/2453; RRT(64), fourth meeting, 11/5/64.

116 Eric Merril [Chief Public Relations Officer, BRB] - F. D. Bickerton [MoT Chief Information Officer], 10/7/64, cited in Gourvish, British Railways, p.443.

117 PRO, CAB 134/2453; RRT(64), sixth meeting, 13/7/64; seventh meeting, 22/7/64.

118 David Henshaw, The Great Railway Conspiracy - The Fall and Rise of Britain's Railways Since the 1950s, (Hawes: Leading Edge, 1991), p.133; Gourvish, British Railways, p.441.

119 Bodleian Library, Conservative Archive, CRD 2/19/5; CPTC minutes, 21/5/63.

and outside Parliament there was ‘widespread uneasiness’¹²⁰ at the way in which objections were being handled and that ‘people felt that consideration of the broader issues determining a closure proposal, and in particular the economic factors on each side were being decided in secret’.¹²¹ Marples responded by saying that ‘what many people expected was that each closure should be considered in all its aspects at a public hearing’.¹²² He was prepared to consider setting up an independent body to assess the economic case for closure, but successfully undermined the suggestion by pointing out that this would probably mean spreading implementation of the proposals over ‘ten years instead of two or three’.¹²³ His colleagues agreed that it was ‘likely to cause great difficulties and certain to cause delay’.¹²⁴

The controversy surrounding the TUCC process stemmed from two issues: the financial information presented in support of proposals and the weight attached the hardship resulting from closure. The inclusion of a service in Reshaping’s list of lines to be closed did not rely upon detailed financial data, and the specific closure proposals were worked up in the months after publication.¹²⁵ In December 1962, BTC representatives told officials that:

all stopping services were being analysed and would be divided into three groups - those definitely for closure, doubtful cases, and those for retention. The list would comprise about 850 items of which about 400 would probably be revealed as uneconomic. January 1963 had been set as the target for completing the list, but much of the detailed supporting data would not have been worked up by that date. This would be fed through to the department as quickly as possible after the plan had gone forward.¹²⁶

Originally, the BTC had hoped to be able to show that below a certain density of traffic a line could not break-even, and had objected to *any* discussion of the financial

120 PRO, CAB 134/2453; RRT(63), first meeting, 16/12/63.

121 Ibid.

122 Ibid.

123 Ibid.

124 Ibid.

125 PRO, CAB 134/2429; Marples, ‘Timetable for Passenger Closures’, R(C)(63)5, 7/10/63.

126 PRO, MT 124/664; note of meeting, 4/12/62.

information by the TUCCs, because it had no bearing on hardship.¹²⁷ As the TUCC for Wales and Monmouthshire pointed out, however, hardship could always be alleviated at a cost, and the TUCCs needed to be able to compare this cost with the estimated savings resulting from closure.¹²⁸ In June 1963, as criticism of the TUCC procedure mounted, the Government announced that financial information would be supplied.¹²⁹

By August 1963, criticism of the figures had come before the Cabinet committee, where Marples explained that the problem lay in deciding whether to use figures which were mostly factual but did not provide 'a reliable guide to the financial consequences of closure',¹³⁰ (those supplied to the TUCCs), or more detailed calculations along the lines of the examples in Reshaping, which would be open to criticism because they inevitably involved a certain amount of estimation. Marples had already asked Sir William Carrington, a former president of the Institute of Chartered Accountants,¹³¹ to consider what financial information should be supplied to the TUCCs.¹³² Carrington reported in October. He endorsed the BRB's figures:

during my examination of the financial implications of a number of the proposed closures... the non-profitability of the services concerned was made abundantly clear beyond any possible doubt and I was very considerably impressed with the meticulous care with which the relevant figures had been compiled. In this connection I have examined samples of figures in each of three Regions and in every instance I satisfied myself that the officers of the Board and of the Regions are exercising great care and diligence in order to arrive at the most accurate bases for the purpose of computing the figures which they are proposing to supply to the Transport Users Consultative Committees.¹³³

127 PRO, MT 124/664; Wansborough-Jones - Serpell, 21/6/62.

128 Howe, 'The Transport Act, 1962, and the Consumers' Consultative Committees', Public Administration, spring 1964, p.52

129 Lord Chesham [MoT Parliamentary Secretary], House of Lords, Official Report, 20/6/63, cols 1478-9.

130 PRO, CAB 134/2426; R(63), fourth meeting, 1/8/63.

131 Gourvish, British Railways, p.437.

132 PRO, CAB 134/2426; R(63), fourth meeting, 1/8/63.

133 PRO, CAB 134/2426; Carrington - Marples, 1/10/63, appendix to Marples, 'Financial Information for TUCCs', R(63)18, 3/10/63.

Serpell had told Carrington that he was free to say what he wished,¹³⁴ but this positive verdict was ‘not the result of immense cogitation’,¹³⁵ At the time ‘everybody [at the MoT] was concerned that objectors could find almost any reason for delaying closure so [we] needed something mildly episcopal... [and the Ministry lacked] yardsticks of the sort that any child with a computer has at his fingertips nowadays’.¹³⁶ In fact, the Ministry made it clear from mid-1962 that, where the Minister was obliged to take a decision on the withdrawal of a passenger service which would, in the Tucc’s opinion cause hardship, officials would want details of the overall economics of a service, with particular reference to the effect of any proposed withdrawal of freight services, and that the figures supplied to the Tucc and to the MoT ‘would have to be prepared on a basis which could stand up to independent scrutiny’.¹³⁷

The Commission arrived at annual earnings figures by multiplying the results of surveys carried out over one or two weeks, and checked these against annual passenger figures. However, as the latter were arrived at by multiplying figures from weekly surveys as well (and presumably these were the same surveys) the process was hardly beyond question.¹³⁸ Margetts told Serpell that ‘generally, the carryings on services of the type we are considering are such that any loss of earnings on other services resulting from the withdrawal of a stopping passenger service is most unlikely to swing the balance’.¹³⁹ In cases where this was not thought to be true, supplementary exercises were being conducted ‘to estimate the [contributory] revenue at stake on other services and the proportions expected to be lost’.¹⁴⁰ The question of contributory revenue was a difficult one. If a certain number of people used a loss-making branch line to reach a main line service, how many of them would continue to use the latter if the former were withdrawn? The significance of this is indicated by the fact that in three of the ten cases

134 Letter from Sir David Serpell, 25/11/98.

135 Interview with Sir David Serpell, 3/4/95.

136 Ibid.

137 PRO, MT 124/664; Serpell - Wansbrough-Jones, 6/6/62.

138 PRO, MT 124/664; note of meeting, 15/11/62.

139 PRO, MT 124/664; Margetts - Serpell, 9/11/62.

140 Ibid.

provided as examples in Reshaping, Chippenham - Calne, Yatton - Clevedon and Elgin - Lossiemouth, closure would have a negative financial effect if all the contributory revenue was lost - but only if the revenue was *net*.¹⁴¹ The Ministry accepted the Commission's view that the amount of contributory revenue lost on closure was inevitably a matter of judgement,¹⁴² as has Gourvish.¹⁴³ Officials could hardly have done otherwise.

The figures provided in support of closure proposals to the TUCCs covered the direct earnings (exclusive of contributory revenue) and direct expenses of the service in question, plus a figure representing expenditure on maintenance and renewals (at historic, not replacement, cost) over five years. Direct expenses were: movement costs (the cost of running trains themselves); terminal expenses (the cost of providing stations); and the track and signalling costs attributed to the service in question.¹⁴⁴ The controversy over these figures was fuelled by the fact that Reshaping provided more detailed figures for ten exemplary cases, including estimates of gross contributory revenue, the revenue lost following closure, and the net financial effect. The figures given to the Ministry followed the same pattern, but officials were also made aware of the estimated additional saving if freight traffic was withdrawn.¹⁴⁵

While it is clear that there were shortcomings in the figures used to justify proposals (see above, and Introduction pp.14-16), it would be wrong to conclude that the figures were merely a smokescreen. Gourvish dismisses 'the suggestion that British Rail submissions to the TUCCs persistently overstated losses in comparison with those submitted to the Ministry',¹⁴⁶ as only the latter included the balance of track and signalling costs which would be saved if freight was also withdrawn from a line.¹⁴⁷

141 BRB, Reshaping, pp. 100-101. In one other case, Sunderland - West Hartlepool, the effect would be negative if all the contributory revenue and all the direct revenue were lost.

142 PRO, MT 124/664; meeting of 15/11/62.

143 Gourvish, British Railways, p.457.

144 Ibid., pp.436-7; Henshaw, Great Railway Conspiracy, p.135.

145 Gourvish, British Railways, p.437; BRB, Reshaping, Table One, pp.100-1.

146 Gourvish, British Railways, p.457.

147 Ibid.

This could make a huge difference to the financial case for closure. For example, in the Andover - Romsey case, the withdrawal of passenger services was expected to save £74,800 annually, of which nearly two-thirds (£48,000) would not have been saved if freight traffic continued.¹⁴⁸ In the case of the lines from Aberdeen to Fraserburgh and Peterhead an annual saving of nearly £60,000 from the withdrawal of passenger services would be increased by £150,000 if freight was withdrawn.¹⁴⁹ In the Inverness - Wick case the passenger withdrawal alone would have saved £6,590. If the line had closed completely this figure would have risen to £241,840.¹⁵⁰ The implementation of Beeching's freight proposals was delayed by a number of problems, including disagreements within the BRB, and with the NCB and coal merchants over who should finance the new methods of coal concentration and distribution.¹⁵¹ The fact that by the end of 1973 the railways were handling 87 per cent of the freight carried in 1962 (in net ton-miles), with only 29 per cent of the vehicles, represented a success.¹⁵² However, had the restructuring of the freight business been at such an advanced stage as to allow simultaneous closure to passengers and freight, it would surely have been easier to convince the public of Beeching's case.

The problem with hardship was its subjective nature. As Gourvish has shown, 'individual objectors often made noises out of all proportion to the hardship involved'.¹⁵³ However, hardship inevitably takes on larger proportions the closer one is to it. This is evident in the response of the inhabitants of Melton Constable, in Norfolk, to the proposal to withdraw the service to Sheringham. Melton owed its existence to the fact that it had been, until 1959, the hub of the former Midland and Great Northern Railway, the point at which the line from the Midlands divided to reach Norwich to the south, Yarmouth to the east and Sheringham to the north. It was, once, the site of a

148 PRO, CAB 134/2453; RRT(64), fourth meeting, 11/5/64.

149 PRO, CAB 134/2453; RRT(64), sixth meeting, 13/7/64.

150 PRO, PREM 11/5167; Marples, 'Proposed Closure of Passenger Rail Services from Inverness to Kyle and from Inverness to Wick and Thurso', covered by Marples - Douglas-Home, 14/4/64.

151 Gourvish, British Railways, pp.426-35.

152 Ibid, p.431.

153 Ibid., p.454.

locomotive works and a railway-owned concrete works, producing everything from fence posts to prefabricated offices.¹⁵⁴ By 1963 only the line to Sheringham and a sheet-metal works remained. The representative survey of summer traffic recorded a total of 189 people using the ten daily trains to Sheringham, the winter survey 166. The net financial effect of closure was estimated at £26,700, and only 31 objections were made.¹⁵⁵ The fact that the taxpayer appears to have been paying over four times as much to operate the service as its passengers¹⁵⁶ was undoubtedly no consolation to those marooned in a town which had lost its purpose: Miss Gray (quoted at the start of this chapter); the two schoolteachers and a pupil who would have to wait until 6.45pm for a bus back to Sheringham; those who relied on the train to reach doctors, dentists and chemists in Holt; and those who would be seeking new jobs when the sheet-metal works closed in July.¹⁵⁷

In practice, the question of whether a closure would result in undue hardship generally boiled down to the mundane issue of whether a bus service could be provided, and unless this was impossible (or at least not immediately possible), because of inadequate roads for example, or some other factor came before the Minister, closure would take place. Even if a bus service could not alleviate hardship, a line would not necessarily be reprieved. The Andover - Romsey case was 'the first case to come before the [Cabinet] committee in which it was clear that there would be real hardship which could not be satisfactorily relieved by the provision of an alternative bus service'.¹⁵⁸ It therefore set something of a precedent, as Ministers felt that 'the decision should not

154 R.S. Joby, Forgotten Railways: Volume Seven, East Anglia, (Newton Abbott: David St John Thomas, 1985) [First published: Newton Abbott: David and Charles, 1977], pp.28-34.

155 PRO, MT 124/726; 'Statement of Financial Information' covered by BRB [illegible] - Dunnett, 2/1/64; East Anglia Area TUCC minutes, 30/10/63, supporting document B: 'Heads of Information, Norwich - Sheringham - Melton Constable line', September 1963 (the figures include passengers joining at the two intermediate stations); Ibid, supporting document C: List of Objectors; Catherine Lane - Douglas-Home, 11/12/63.

156 PRO, MT 124/726; 'Statement of Financial Information' covered by BRB [illegible] - Dunnett, 2/1/64. The net saving was estimated at £26,700, direct earnings at £6,800.

157 PRO, MT 124/726; Mrs G. Knight - Marples, 5/2/64; Mrs J. Auger - Marples, undated (received 26/11/63); Catherine Lane - Douglas-Home, 11/12/63.

158 PRO, CAB 134/2453; RRT(64), fifth meeting, 9/6/64.

turn... on the mere presence of hardship, but on the balance of the degree of hardship and the numbers involved against the cost to the public of maintaining the service'.¹⁵⁹

Beeching concluded that where a line carried more than 1,000 passengers a week, a replacement bus service would be viable, and that only 122 miles of less busy line were not already paralleled by bus services, 'in most areas of the country, therefore, it appears that hardship will arise on only a very limited scale'.¹⁶⁰ This was somewhat misleading as the map of bus services which accompanied Reshaping did not indicate the frequency of the services; while Beeching's comment that 'it is not immediately apparent... why it is thought that rail buses would give a better standard of service than a road bus in most rural areas',¹⁶¹ makes one wonder if he had ever been on a bus. Marples' request that the commitment to provide 'suitable and adequate' replacement bus services in the draft of his statement to Parliament on Reshaping, be altered to 'adequate', suggests that he understood only too well that which was a mystery to Beeching.¹⁶²

In 1976, British rail commissioned a study into the effects of railway closures, the conclusions of which challenge Reshaping's assumptions about bus services. The study's main conclusion was that:

in the ten areas we have studied, many people have been considerably and adversely affected both in their travel and in their lives in general... [and] the principal explanation for the substantial changes in former patterns of activity recorded in the survey can be attributed to the partial failure of the new or augmented bus services to provide an adequate alternative to the withdrawn rail services... less than half of the former rail users transferred to these bus services at all after closure, and those that did so did not transfer all their journeys.¹⁶³

The study found that car owners who had used rail services for some journeys did not use buses for any, while those without cars tended to abandon non-essential travel altogether.¹⁶⁴ It concluded that buses 'cannot serve as adequate substitutes for rail'.¹⁶⁵

159 Ibid.

160 BRB, Reshaping, p.19.

161 Ibid., p.18.

162 PRO, PREM 11/4548; Macmillan - Marples, 26/3/63; Marples - Macmillan, 26/3/63.

163 Mayer Hillman and Anne Whalley, The Social Consequences of Railway Closures, (London: Policy Studies Institute, 1980), pp.110-2.

164 Ibid., p.112.

Particular difficulties were uncovered in providing connecting bus services to remaining rail services, and only a third of people who 'had previously travelled beyond the end of their branch lines at least several times a year'¹⁶⁶ continued to do so. The study concluded that former passengers on these lines had suffered 'a degree of hardship and inconvenience that does not appear to be widely appreciated by people involved in making decisions affecting rural transport'.¹⁶⁷

Certainly, at the highest level, consideration of closure proposals was influenced by the belief, based on past experience, that 'while a proposal for a closure was greeted with opposition this was soon forgotten when the line or station was closed and alternative transport was provided'.¹⁶⁸ Beeching even went so far as to suggest that 'it might well be that with the information... available to the public [once his traffic density maps had been published] it would not be necessary for him to argue the need to close certain lines since this would become self evident'.¹⁶⁹ Marples told Macmillan that 'experience shows that there is a lot of highly vocal opposition while closure is under consideration, but once the line has been closed people realise that they can manage without it (our procedures are designed to ensure there is no real hardship) and the trouble vanishes. This pattern has been repeated over and over again'.¹⁷⁰

Although the ten lines in the 1976 study were selected from 47 closed since 1968,¹⁷¹ and therefore from a base which excluded many of the less controversial closures, its comments on bus services probably apply more generally. Certainly, by 1965 officials were aware that 'following a passenger closure usually only a proportion of the users transfer to the bus service'.¹⁷² Those replacement buses which stopped at closed

165 Ibid., p.113.

166 Ibid., p.114.

167 Ibid., p.118.

168 PRO, CAB 134/2397; PE(63), fourth meeting, 11/2/63.

169 PRO, PREM 11/4548; note of meeting between Beeching, Marples and Selwyn Lloyd [Chancellor of the Exchequer], 6/6/62.

170 PRO, PREM 11/4548; Marples - Macmillan, 19/2/63.

171 Hillman and Whalley, The Social Consequences of Railway Closures, p.4.

172 PRO, MT 124/726; P. D. Davies [MoT senior executive officer] - Baxter, 5/4/65.

railway stations must have been particularly unattractive. Indeed, following the closure in December 1962 of the line from Plymouth to Launceston via Yelverton, formerly the junction for Princetown, 'it was many moons before the bus replacing the Princetown train ceased to be sent down the drive to a totally closed and derelict Yelverton station'.¹⁷³ The three-way communication between the BRB, bus operators and the Ministry which the provision of good-quality bus services required, was an unsatisfactory arrangement, and one suspects there was a lack of interest all round in these services. The bus company got a subsidy, the railway got rid of a branch line and the passengers got cars, or travelled less.

The Wells - East Dereham case shows exactly why the whole closure process was so controversial in practice.¹⁷⁴ The Board was unable to explain satisfactorily why the figures which it had provided to the TUCC (direct earnings - £27,800, direct expenses £54,000) were contradicted by those supplied to the Ministry (£17,400 and £29,600 respectively).¹⁷⁵ The TUCC had set aside the objections from pilgrims to the shrine of Our Lady of Walsingham because the Board claimed special trains could still run, as the line remained open to freight. The Board, however, did not know why its representative had given the TUCC the impression that freight services would continue indefinitely, and only intended to provide pilgrims with a coach service.¹⁷⁶ Objectors complained that the summer traffic census had missed the extra traffic in the school holidays, the Board countered that a census in the holidays would have missed the sixty schoolchildren who used the line.¹⁷⁷

The MoT working party recommended that the Minister withhold consent to closure on the grounds that the alleviation of hardship through the provision of buses

173 David St John Thomas, West Country Railway History [The papercovered edition of A Regional History of the Railways of Great Britain Volume One: The West Country], (Newton Abbot: David and Charles, 1960 [sixth edition 1988]), p.280.

174 I chose this example at random, but from the selection of other closure case files I have seen, it does seem that this was a more than usually confused case.

175 PRO, MT 124/725; F. E. Tyler [Secretary, East Anglian TUCC] - Davies, 9/10/63; Haygreen - MoT, 2/1/64; Baxter - Haygreen, 13/1/64; Haygreen - Baxter, 23/1/64; Baxter - Scott-Malden, 19/2/64.

176 PRO, MT 124/725; Baxter - Haygreen, 13/1/64; Haygreen - Baxter, 23/1/64.

177 PRO, MT 124/725; cutting: The Catholic Herald, 22/11/63, p.5.

would cost some £500 a year more than the closure would save.¹⁷⁸ The Parliamentary Secretary agreed, but the under secretary, Scott-Malden, successfully argued that a better course would be to consent to closure on the unofficial understanding that passenger services would continue until freight traffic was withdrawn (this was expected to save an extra £34,000).¹⁷⁹ The Board breached this agreement in principle when it advanced the passenger closure by a month to 5 October 1964 (complete closure had been scheduled for 2 November, in which case the service *might* have won a post-election reprieve), and virtually broke it in practice because freight traffic continued over the southern half of the line into the 1980s. This branch had benefitted from fast diesel traction and as a result the Wells - Dereham journey took 40 minutes. This would increase to 80 minutes by bus.¹⁸⁰ The provision of buses connecting with trains at Dereham was a condition of closure, but when the line closed in October 1964, the timetable on the remaining section through Dereham was recast, leaving the buses with no connection. Officials discovered this purely by chance some three months later.¹⁸¹ Moreover, when Dereham (which was not listed for closure in Reshaping) lost its service, the basis on which hardship had been assessed was undermined.

Should Beeching have attacked costs across the board rather than "picking on" loss-making services? The National Council on Inland Transport successfully illustrated the extent to which costs might be cut by comparing the typical figures provided in the Beeching report to illustrate branch line economics with the figures actually provided to the Tucc in the Buxton - Manchester case in 1964, to reduce a loss of £180,000 to £42,000 and then argued that economies could turn this into a profit of £6,000, although this did not reflect the position if *total* closure had been achieved.¹⁸² Richard Hardy has argued that Beeching had to attack railway losses by cutting out unprofitable lines, because radical change on working practices could not have been achieved by an outsider.

178 PRO, MT 124/725; MoT working party on closures, nineteenth meeting, 18/2/64.

179 PRO, MT 124/725; Scott-Malden - Galbraith, 24/2/64; Galbraith - Marples, 26/2/64; Scott-Malden - Marples, 27/2/64.

180 MT 124/725; 'Report of the East Anglian Tucc on the proposed withdrawal of Passenger Train services between Dereham and Wells-next-the-Sea', 29/11/63.

181 PRO, MT 124/725; Miss J. Beeton [MoT senior executive officer] - Davies, 18/12/64.

182 Henshaw, Great Railway Conspiracy, pp.158-60.

It required a railwayman,¹⁸³ but there was no railwayman who could have done it. The personnel side of the railways was imbued with an approach:

in the classic mould of the 1950s and 1960s, conventional negotiation and consultation dedicated not to revolution but to careful, cautious and sometimes costly evolution [and] to take this very hard line... would have made demands on the personnel departments that they were not capable of shouldering.¹⁸⁴

The railways, therefore, 'were not tuned to an all-out attack on established practices on a national basis (closures of lines and stations were a different matter)'.¹⁸⁵ Railway management had not previously 'shown itself to be committed to a policy of cutting costs in a way imaginative enough to be worthy of consideration'¹⁸⁶ and 'to simplify and then run a railway in basic form cannot be done overnight... immediate, profitable and widespread action could not have been taken'.¹⁸⁷ On a somewhat contradictory note, the same author has argued that, potentially, Sir Steuart Mitchell's 1962 rationalisation of the railway workshops could have been used as a blueprint for the whole business, but even then, 'would the country have stood for the inevitable uproar'?¹⁸⁸ The evidence suggests not.

The unions were extremely unhappy that they had not been consulted about the Board's plans for workshop redundancies before they were made public and, at a meeting with Serpell, the Minister of Labour and his officials, they made it clear that they would be even less happy if closures were treated in the same way.¹⁸⁹ Macmillan was most unimpressed by the way in which the workshop plans had been handled, although he found the press coverage generally supportive, and sent Marples two minutes on the subject, making it clear that there was to be no repetition:

we must not hesitate from the slogan "Growth means change - innovation and change are all the time necessary", yet we must not let it be thought that so far as

183 Richard Hardy, Beeching - Champion of the Railway?, (London: Ian Allan, 1989), p.104.

184 Ibid., p.105.

185 Ibid., p.105.

186 Ibid., p.102.

187 Ibid., p.103.

188 Ibid., p.104. Mitchell was put in charge of the railway workshops by Beeching.

189 PRO, PREM 11/4548; note of meeting, 28/9/62.

men and women are concerned that they are to be treated in the Victorian happy-go-lucky way when they thought of humans almost less than they thought of machines.¹⁹⁰

He for one would not stand for the uproar.

The response of the National Union of Railwaymen (NUR) to the Beeching Report was mild in the extreme. On a national scale, its campaign against closures, which had never been particularly dynamic, was wound down at the end of 1962, and opposition was left almost entirely to local branches.¹⁹¹ The union's official historian, Philip Bagwell, attributes this to the fact that the General Secretary, Sidney Greene, an excellent negotiator on the question of wages, was not the right man to lead a public campaign against the closure programme, and was primarily concerned to achieve the best possible redundancy terms for displaced workers.¹⁹² Beeching was willing to lean over backwards to make concessions' on this point, 'provided his main objective of a drastic slimming of the railway industry remained unimpaired'.¹⁹³ The resulting redundancy agreements were generous by contemporary standards and 'set an example which was later followed by other nationalised industries and private firms'.¹⁹⁴ The blow of Reshaping's publication was softened, for the NUR, by the fact that redundancy terms for the workers whose jobs would go under a plan for the rationalisation of railway workshops had been agreed in January 1963, and had provided 'the foundation for advance in negotiations on behalf of other railwaymen'.¹⁹⁵ In real terms, railway wages improved by more during the Beeching period than during the 1950s, and a combination of genuine sympathy for the argument that the railwaymen were underpaid and a lack of pressure to extract greater productivity from those whose jobs remained,¹⁹⁶ arguably limited the impact of

190 PRO, PREM 11/4548; two minutes from Macmillan to Marples, both dated 30/9/62.

191 Philip Bagwell, The Railwaymen - The History of the National Union of Railwaymen, Volume Two: The Beeching Era and After, (London: George Allen and Unwin, 1982), pp.134-7, 143-7 and 153-5.

192 Ibid., pp.155-6.

193 Ibid., p.143.

194 Ibid., p.145.

195 Ibid., pp.144-6 (quote, p.144).

196 Gourvish, British Railways, p.530.

Beeching's policies. In 1962, Macmillan complained that Beeching and the unions 'are "ganging up" together to screw more out of the taxpayer'.¹⁹⁷ Nevertheless, the pay settlements of 1963 and 1964 were 'quite generous'.¹⁹⁸ For all the significance of 1960 as a year of change in policy towards the railways, Macmillan's views on railway wages differed little from those expressed by Churchill in December 1954 (see Chapter Two, p.69): 'although the railways don't pay (and perhaps never can pay) railway workers are definitely low paid'.¹⁹⁹

In any event, as the railways continued to lose money despite the closure programme, greater improvements in general productivity would not necessarily have saved lines, especially without investment. Given the railways' financial position and the justified concern in Whitehall over the BTC's investment control and interpretation of its social obligations, it was perhaps inevitable that investment in cost-cutting measures for loss-making services would have to wait until those services had been saved from closure on the grounds of social need. Moreover, the reduction in the railway workforce from 514,500 in 1960 to 273,000 in 1970,²⁰⁰ compares well with the reduction of 174,000 jobs between 1948 and 1962,²⁰¹ and if Gourvish is right to see pay as increasingly linked to productivity from 1967,²⁰² that development must owe something to the changes Beeching brought to an industry which had experienced over a century of jobs for life.²⁰³

197 Bodleian Library, Macmillan Diaries [BL/MAC], D.47, 25/10/62.

198 Gourvish, British Railways, p.532.

199 BL/MAC, C.21/1, 13/2/60 [original emphasis].

200 Bagwell, The Railwaymen, Volume Two, p.157.

201 Ernest Popplewell (Lab. Newcastle-upon-Tyne West). HoC, Official Report, 30/4/63 col.951.

202 Gourvish, British Railways, p.547.

203 Bagwell, The Railwaymen, Volume Two, p.157.

The "Modernisation of Britain" was a feature of the last eighteen months of Macmillan's premiership, and he saw it as a good theme on which to fight the next election.²⁰⁴ In the long term it embraced the suggestion by Sir Norman Brook, the Cabinet Secretary, that a broad picture be prepared 'of what life might be like in the United Kingdom in 1975-80 which might serve as a backcloth against which home departments might frame their forward policies'.²⁰⁵ This led to an extension of the brief of a committee of officials under Sir Thomas Padmore, set up to examine the report of a committee on the Scottish economy chaired by John Toothill (the Toothill Report), to examine the factors affecting planning, housing, transport and the location of industry and to prepare a programme of work for a new committee of Ministers on Population and Employment (PEC).²⁰⁶

Much of the activity around modernisation in 1962-63 focused on the apparent decline of old industrial areas and the parallel growth of the south-east. This was reflected in a renewed emphasis on regional planning.²⁰⁷ Concern at this trend stemmed from both economic and humanitarian motives. Macmillan and Ministers such as Henry Brooke, Home Secretary and Chairman of the PEC, found the decay and unemployment of run-down areas intolerable,²⁰⁸ while such regional imbalances were also seen as a barrier to the effective use of labour, making an incomes policy harder to sustain.²⁰⁹ The difficulty was that to resist the economic trend in favour of the south-east might damage economic growth.²¹⁰ Macmillan argued for a pragmatic alternative course,

204 BL/MAC, D.49, 20/3/63. See also, Jim Tomlinson, 'Conservative Modernisation, 1960-64: Too Little Too Late?', Contemporary British History, vol.11, No.3, autumn 1997, pp.18-38.

205 PRO, CAB 21/4719, Composition and Terms of Reference of Cabinet Committees: Committee on Population and Employment; note of meeting between Brook and Sir Edward Boyle [Financial Secretary to the Treasury], 17/5/62.

206 Ibid.

207 Tomlinson, 'Conservative Modernisation', Contemporary British History, autumn 1997, pp.20-1.

208 For example, PRO, CAB 21/4719; Macmillan - Brook, 24/6/62; Brook - Macmillan, 22/10/62.

209 PRO, CAB 21/4719; Richard Clarke [Treasury third secretary] - Sir Thomas Padmore [Treasury second secretary], 24/7/62. makes the latter point.

210 PRO, CAB 128/36; Cabinet conclusions, CC(62)62(4), 25/10/62.

which would focus attention on encouraging new industries to replace the declining ones. He argued that these new industries would not necessarily require a shift in population, as they were not tied to the location of resources in the way that heavy industry was. He also felt that some declining industries, (for example, ship-building) simply had to be propped up against the economic trends.²¹¹

In late 1962, a Steering Committee on the Modernisation of Britain was established to oversee the work of the Economic Policy Committee (EPC) and PEC. This consisted of Macmillan, the Chancellor of the Exchequer as chairman of the EPC, and the Home Secretary as chairman of the PEC, although its membership was enlarged to include whichever Ministers were relevant to the agenda.²¹² The theme of modernisation was an obvious hook on which to hang the presentation of Reshaping. When he saw the Report, Marples told Macmillan that it 'provides material which will enable us to present this operation as essential to "Modernising Britain"'.²¹³ However, the fact that Beeching was modernising the railways at the same time as the Government talked of modernising Britain did not reflect any strategic connection between the two processes. Nothing had been done to co-ordinate Reshaping to wider economic or regional policy before its publication. On 29 January 1963, the Steering Committee had discussed:

a systematic study of Scotland [which] had been in progress since August of last year to show where a combination of facilities for industry, housing, education, communications and geographical conditions appeared to favour the further development of industry. *It was important that the results of this study should be made known in time for it to be taken into account in the formulation of the British Transport Commission's [sic] plans for the future of the railways, which were due to be announced in March.*²¹⁴

211 PRO, CAB 128/36; Cabinet conclusions, CC(62)63(4), 29/10/62; PREM 11/4520, Ministerial Discussions on Modernising Britain, part one; Macmillan's notes for Cabinet, 'Modernising Britain'.

212 PRO, PREM 11/4520; Trend - Macmillan, 26/11/62, enclosing notes on proposed committee structure and membership; Woodfield, notes for the record of 21/11/62 and 27/11/62; Woodfield - Macmillan, 27/11/62; Trend - Woodfield, 28/11/62; CAB 129/111; Macmillan, 'Modernisation of Britain', C(62)201, 3/12/62; CAB 128/36; Cabinet conclusions, CC(62)73(8), 6/12/62.

213 PRO, PREM 11/4548; Marples - Macmillan, 26/2/63.

214 PRO, PREM 11/4521, Ministerial Discussions on Modernising Britain, part two; Steering Committee on the Modernisation of Britain, fifth meeting, 29/1/63 [my emphasis].

Given that Reshaping reached Marples in draft form on 26 February, this was a little late. The following month, Trend told Macmillan of his concern that although Beeching's proposals would soon be ready for publication, Marples had yet to reveal their details 'or to indicate whether they are likely to be adequately related to population and employment policy'.²¹⁵

The fact that the rethinking of transport policy - in terms of the broad balance between road and rail, at least - was at a fairly advanced stage when the Government began thinking about population and employment, set up a potential conflict between the two "modernisations". This was illustrated by the railways' freedom to withdraw freight facilities as they saw fit, without regard to any regional development strategy. In practice, this caused fewer problems than it should perhaps have done, because rail seemed to have such a limited contribution to make. The IDR report endorsed Reshaping's assumptions that 'the pattern of population and industry will continue basically the same as now, and that the trend towards the concentration of industry and population in the south-east will not be reversed.'²¹⁶ Officials considered that the long-term regional planning studies which were being carried out were sufficiently advanced to support these assumptions.²¹⁷ Moreover, they concluded that new towns and overspill areas from major conurbations 'will clearly need adequate communications; but experience with existing new towns shows that although good road communications to industrial centres are vital, railways are of little importance except for heavy industry'.²¹⁸ Although the importance attached to planning and regional studies was reflected in Ministers' consideration of closure proposals, it made little difference to their decisions. The real significance of the modernisation theme for the closure programme was that the same concerns about declining areas, and Scotland in particular, which helped spur Macmillan to establish the PEC, led to deep concern over the effect of closures north of the border.

Noble's intervention on behalf of Scottish lines has already been mentioned. His predecessor, Maclay, had expressed concern about the effects of closures in the north of

215 PRO, PREM 11/4521; Trend - Macmillan, 11/2/63.

216 PRO, CAB 134/2426; IDR Report, 18/7/63. p.42.

217 Ibid, pp.42-3.

218 Ibid., pp.43-4.

Scotland in the summer of 1962,²¹⁹ and by the end of 1963, opinion was running high in Scotland on the subject of rail closures. An organisation called the Vigilants of Scotland (also known as Macpuff) had been formed to oppose closures north of Inverness and was attracting Conservative support.²²⁰ In January 1964, the Chairman of the Unionist (Conservative) Party in Scotland, Sir John George, wrote to the Prime Minister in no uncertain terms about the Inverness - Wick and Dumfries - Stranraer proposals:

feelings are red hot among the executive committees and Divisional Councils throughout Scotland on the... subject. No one believes that the lines in fact will be closed but all are distressed and dismayed that we are giving our opponents such a long run to flay us mercilessly.²²¹

Later the same month, the Prime Minister, Marples, Galbraith, and Noble met a delegation representing various Scottish bodies calling for the postponement of the whole programme in the north of Scotland.²²² Although Douglas-Home said this was out of the question, a few days later he commented that 'there are certain railways which it is quite clear to anyone with any knowledge of the situation in North Scotland, cannot be closed and these should be cleared as soon as practical after the Tucc hearings'.²²³

There had already been press reports indicating that Noble would 'blunt the Beeching Axe',²²⁴ and in January Mr J. C. Ballantyne of the Scottish Tucc wrote to the Ross-Shire Journal, claiming that the Government had indicated privately that it had no intention of closing the lines north and west of Inverness.²²⁵ After the delegation returned to Scotland, reports emerged suggesting Noble had implied that there would be a two or three year moratorium on major closures in Scotland. This was denied by Douglas-Home in answer to a Parliamentary Question on 6 February, only for The

219 PRO, PREM 11/4548; Maclay - Macmillan, 29/6/62. Marples - Macmillan, 7/6/62 refers to an earlier letter on the subject from Maclay.

220 PRO, PREM 11/5078, Railway Closures in Scotland: PM Met Deputation, 27 January 1964; M. Reid [Prime Minister's Office private secretary] - C. Tebay [Marples' Private Secretary], 24/12/63.

221 PRO, PREM 11/5167; George - Douglas-Home, 6/1/64.

222 PRO, PREM 11/5167; record of the meeting, 27/1/64.

223 PRO, PREM 11/5167; Douglas-Home, note on Tebay - Reid, 30/1/64.

224 PRO, PREM 11/5078; cutting: Daily Express, 18/12/63, p.1.

225 PRO, PREM 11/5078; cutting: Ross-Shire Journal, 10/1/64, p.5, letter from J. C. Ballantyne.

Scotsman to report on the seventeenth that Noble had confirmed it.²²⁶ The Prime Minister's office, the Scottish Office and the Ministry were still discussing who had said what in March. It appears that Noble had said that in some individual cases lines might be kept open for two or three years if more information was required. It is tempting to conclude that he implied more, although there is no direct evidence, other than the press reports, that this is so.²²⁷

By mid-February, Douglas-Home's view that some Scottish lines simply could not be closed had been conveyed to Marples, whose Private Secretary informed the Prime Minister's Office that the Minister felt that even if immediate closure was not possible, it might be better to consent to it on condition that road improvements were carried out, rather than to refuse consent and appear to reverse the decision at some future date.²²⁸ Douglas-Home's private secretary Malcolm Reid minuted the Prime Minister that 'correspondence is not getting us very far',²²⁹ while Noble 'expressed some apprehension'²³⁰ that Marples did not expect to reach a decision before June, feeling that 'the end of April was the latest date that should be countenanced'.²³¹

At the end of the month (by which time a delegation from the Scottish Trades Union Congress had been to see the Prime Minister on the subject²³²), Marples wrote to Douglas-Home privately to express his concern that:

attempts are being made to drive a wedge between Michael Noble and myself. I am worried at some of the things he is reported as having said. But what worries me more is that... you yourself are convinced that the major lines in Scotland... are not going to be closed... the worst possible situation would be if word had gone round from high places that most of these major lines were likely to be reprieved,

226 Douglas-Home, HoC, Official Report, 6/2/64, col.1335; PRO, PREM 11/5167; cutting: The Scotsman, 17/2/64, 'Rail Axe Assurance by Noble'.

227 PRO, PREM 11/5167; note of meeting between Scottish delegation and Ministers on 27/1/64, taken by Reid; PREM 11/5078; note of the same meeting by J. A. D. Nimmo, of the Scottish Council; Reid - W. Baird [Noble's Private Secretary], 17/3/64; Baird - Reid, 18/3/64.

228 PRO, PREM 11/5167; Tebay - Reid, 17/2/64.

229 PRO, PREM 11/5167; Reid - Douglas-Home, 18/2/64.

230 PRO, PREM 11/5167; Baird - Tebay, 18/2/64.

231 Ibid.

232 PRO, PREM 11/5167; note of the meeting, 19/2/64.

and if we then found - as we well may - that the facts... obstinately refuse to support such a reprieve. I hope we can avoid getting into this situation.²³³

Marples asked for a meeting with the Prime Minister to discuss the problem, but must have been disappointed with its outcome. Douglas-Home not only felt that winter conditions would make it very difficult to close the lines north of Inverness, but also that closure of the Edinburgh - Hawick - Carlisle line (publication of which had already been deferred) would upset the Government's development plans for the area. Just for good measure, he hoped the Gleneagles - Crieff section of the Comrie branch (which lay in Douglas-Home's constituency) would remain open.²³⁴

By May, Douglas-Home's ambitions for the Comrie line had been reduced to a stay of execution over the summer, but the Cabinet Committee felt that this would not only be hard to justify (as the line was much less busy than the Porthcawl and Silloth branches which had already been closed), but embarrassing, given the local MP's identity.²³⁵ In the case of northern Scotland, however, Marples lost the battle. It had proved impossible for the TUCC to hear the Scottish cases brought forward by Beeching until March 1964,²³⁶ but the decisions were announced in April, and both the Kyle and Wick/Thurso lines stayed open, although Marples made it clear to his colleagues that he felt, particularly in the former case, that closure should not be ruled out indefinitely.²³⁷ The TUCC inquiry into the two lines to Stranraer found that their closure would cause hardship and the problem was eventually solved by the BRB's suggestion that the line from Ayr be retained and the Dumfries - Stranraer traffic be diverted over an alternative route.²³⁸

233 PRO, PREM 11/5167; Marples - Douglas-Home, 27/2/64.

234 PRO, PREM 11/5167; Reid - Tebay, 28/1/64.

235 PRO, PREM 11/5167; Blakenham - Douglas-Home, 12/5/64; CAB 134/2453; R(64), fourth meeting, 11/5/64.

236 PRO, CAB 134/2453; RRT(64), first meeting, 8/1/64.

237 PRO, PREM 11/5167; Marples, 'Proposed Closure of Passenger Rail Services from Inverness to Kyle and from Inverness to Wick and Thurso', covered by Marples - Douglas-Home, 14/4/64; Marples, HoC, Official Report, 16/4/64, written answers, cols 108-10.

238 PRO, CAB 134/2453; RRT(64), third meeting, 12/2/64; sixth meeting, 13/7/64.

Aside from Scotland, the north-east was the focus for Ministers' concern about declining areas, as is evident from Macmillan's decision to give Lord Hailsham special responsibility for drawing-up a development plan for the area in January 1963.²³⁹ The only north-eastern closure to come before Ministers was the Darlington - Bishop Auckland line. This was reprieved on the grounds that it served the growth area around Darlington and Newton Aycliffe.²⁴⁰ In general, Marples opposed postponing or refusing outright consent to closure on the grounds that regional development might encourage new traffic, as this would entail a lengthy postponement with no guarantee that such traffic would ever be available: 'we do not know how many people in new development areas will opt for rail travel, let alone have a need for it if they are to be mainly employed locally. All recent surveys point to the increasing demand for travel by car in the coming years'.²⁴¹ He also argued that publication of these proposals could not be deferred pending the completion of traffic surveys 'or the possibility that new patterns of travel would emerge from regional development',²⁴² as this would take too long; therefore it would be better to let the TUCC procedure take its course and, if a decision was to be delayed on these grounds, to do so after the TUCC had reported to him.²⁴³

The Andover - Romsey line, which came before Ministers in May 1964, represented the other side of Ministers' concerns over population and employment, as it was within the area covered by the regional study of the south-east.²⁴⁴ Ministers were unable to reach a conclusion when they first considered the line, but their unwillingness to set a precedent by postponing a final decision until the south-east study was completed was recorded in the minutes.²⁴⁵ When they returned to the question the following month they were informed that the south-east study felt 'the rail closure proposals were unlikely

239 Lord Hailsham, A Sparrow's Flight - The Memoirs of Lord Hailsham of St Marylebone, (London: Collins, 1990), pp.337-40.

240 PRO, CAB 134/2453; RRT(64), ninth meeting, 7/9/64.

241 PRO, CAB 134/2453; RRT(64)2, 6/1/64.

242 PRO, CAB 134/2453; RRT(64), first meeting, 8/1/64.

243 Ibid.

244 PRO, CAB 134/2453; RRT(64), fourth meeting, 11/5/64.

245 Ibid.

to have more than a minimal effect on the programme of expansion'.²⁴⁶ Ministers must have had some reservations about this, as they attached a condition to the consent to closure which prevented the Board from lifting the track (the line had already closed to freight) without the Minister's consent.²⁴⁷

This case captures precisely the dilemma the closure programme posed for Ministers. On the one hand, to close lines in areas affected by regional studies risked making a mockery of the studies; on the other, to postpone closures pending their completion would not only have put a considerable chunk of Beeching's programme on hold, but would also have invited demands that similar studies be carried out wherever closures were proposed. Facing this choice, it seems likely that Ministers must have welcomed comments that offered them a way out by indicating that the closures would not affect regional planning. These case studies illustrate the vague nature of the Government's ideas on modernisation. The relevance of Reshaping to the broader theme was limited by the apparent irrelevance of rail to many of the problems involved (which itself illustrates the limits of planning and prediction in 1963), but the arguments over Scottish closures reveal a deep conflict between two aspects of modernisation in the early 1960s: the commercialisation of the nationalised industries and the move towards regional policies and planning in 1962-63. In the 1950s, the railways' social obligations had helped to create a massive deficit; in avoiding greater losses the railways were now in danger of causing social damage. This conflict went beyond railway policy and indeed lay at the heart of the problem of declining areas - to what extent can government manipulate the economy to achieve social ends, without damaging the economy itself?

The limited relationship between the modernisation theme and the closure programme did not mean that Ministers ignored the social and economic consequences of closures. Such considerations were apparent in Ministers' handling of two groups of cases: those affecting holiday resorts; and those affecting urban areas. The short branch from Pyle to Porthcawl was somewhat unusual, as the Minister had approved its closure to passengers during the winter months in March 1963.²⁴⁸ Nevertheless, it raised issues which concerned holiday-line closures as a whole, and Ministers' discussion of the case

246 PRO, CAB 134/2453; RRT(64), fifth meeting, 9/6/64.

247 Ibid.

248 PRO, CAB 134/2452; RR(63), first meeting, 2/12/63.

acknowledged this.²⁴⁹ The closure of lines to holiday resorts was at the heart of the transformation of the railways in this period. The railways had created many resorts, in particular in the West Country,²⁵⁰ but the conjunction of state school holidays, fixed holidays for many workers in the Midlands, and the closing down of many West Country factories meant that 'some resorts did a third of their total season's business during the single [peak] fortnight'.²⁵¹ Peak holiday-makers were less likely to own a car than professional or executive workers, and coach operators were unable to increase their capacity to carry the extra traffic. As a result, 'many branch lines had ten times their usual number of passengers'.²⁵² Far from being the 'lucrative sideline'²⁵³ which Henshaw suggests, this required the railways to provide a capacity which was only rarely utilised.

The railways' determination to cater for this traffic, irrespective of its profitability, was indicative of the combination of public service ethic and poor accounting which bedeviled the industry. David St John Thomas, who was the holiday correspondent of The Western Morning News in the 1950s,²⁵⁴ has concluded that:

in the mid-1950s no railwayman struggling to provide every possible seat, every "path", to put on duty every possible supernumary porter, could have believed that in fact the whole act was anti-social - that the West Country's holiday trade and ultimately the railways themselves would have been better if less had been done to accommodate the crowds.²⁵⁵

Although MoT officials felt that the staggering of holidays would alleviate some of the problems, they concluded that this was unlikely to take place in time to affect Beeching's proposals.²⁵⁶ In fact, Thomas found that the staggering of holidays followed the transfer of much holiday traffic to the roads, as holidaymakers who had been prepared to tolerate

249 Ibid.

250 David St John Thomas and Simon Rocksborough Smith, Summer Saturdays in the West, (Newton Abbot: David and Charles, 1973 [1983 edition]), pp.13 and 51.

251 Ibid., p.24.

252 Ibid., p.24.

253 Henshaw, Great Railway Conspiracy, p.152.

254 Thomas and Rocksborough Smith, Summer Saturdays in the West, p.17.

255 Ibid., p.25.

256 PRO, CAB 134/2426; IDR Report, 18/7/63, p.25.

the delays and poor facilities on the railways were unwilling to sit in traffic jams, and made their journeys outside the peak weekends.²⁵⁷ In 1959, out of 18,500 coaches allocated to fast and semi-fast services, 8,900 were available for the high-peak summer service (on top of 2,000 for the regular summer service), of which 6,000 were used on no more than eighteen occasions, and a third of these on no more than ten. Beeching estimated these coaches cost £3.4 million, but earned only £500,000. This illustrates the misleading nature of figures relating to *gross* contributory revenue. Almost all of these 6,000 coaches had been withdrawn by the time Reshaping promised the complete elimination of high peak stock by 1965.²⁵⁸ The problem posed by rail services to holiday resorts, like that of urban commuter lines, was one which needed to be examined in the context of its social and economic implications.

Given the large proportion of holiday-lines which were closed (albeit in many cases some years after Beeching's departure), it may seem that such consideration was not made, but in fact it was very much on the minds of both Ministers and officials. The IDR Report pointed out that 'the movement of holiday traffic from the railways to the road has been going on progressively, particularly during the fifties',²⁵⁹ a view backed by Thomas' account.²⁶⁰ Once again, previous experience was cited to show that earlier holiday closures (in the Isle of Wight and the Lake District) had not had serious consequences.²⁶¹ The IDR concluded that such closures were only likely to cause serious congestion in exceptional cases,²⁶² but that hardship was more likely to affect resorts than holidaymakers, who could transfer there custom. Officials felt that resorts needed to adapt themselves to car-borne visitors and promote themselves with this in mind, and the MoT had been assured by coach and bus operators that they could cope with the extra traffic although there might be specific local problems.²⁶³ The possibility

257 Thomas and Rocksborough Smith, Summer Saturdays in the West, p.16.

258 BRB, Reshaping, p.15.

259 PRO, CAB 134/2426; IDR Report, 18/7/63, p.23.

260 Thomas and Rocksborough Smith, Summer Saturdays in the West, p.17.

261 PRO, CAB 134/2426; IDR Report, 18/7/63, p.23.

262 Ibid., p.24.

263 Ibid., p.24.

of asking local authorities to subsidise these services had been considered. Marples felt that this might at least encourage the authorities to estimate the value of the business at risk, even though they were unlikely to welcome the prospect of paying such subsidies as they believed that the provision of facilities to tourists already laid an unfair burden upon local ratepayers.²⁶⁴

Reshaping proposed the closure of 127 lines to holiday resorts, including inland destinations such as Richmond (Yorks) and Ballater.²⁶⁵ Resorts affected by these closures were thought to account for nine per cent of non-day-trip holiday-makers - 2.5 million people in all. However, Marples argued that as only a quarter of Britain's holiday journeys were made by train, probably only two or three per cent of holiday-makers would be affected. Nevertheless the south-west and to a lesser extent Wales were likely to be hit disproportionately hard. In the south-west resorts accounting for nearly a fifth of the holiday trade were to lose their services, while in Wales the figure was twelve per cent.²⁶⁶ The Association of Welsh Local Authorities had formed an All-Wales Committee on Rail Closures, which met Marples in April 1962. The following year, Macmillan unenthusiastically agreed to meet a joint delegation of the All-Wales Committee and the Welsh Parliamentary Party.²⁶⁷ In September 1964, Ministers were told that there was particular opposition to the closure of the Ruabon - Barmouth line as this carried 20,000 visitors to the Eisteddfod festival, but approved the closure in the belief that 'opinion in north Wales was more interested in the improvement of the road system than in the retention of the railway'.²⁶⁸

The committee postponed its verdict on Porthcawl, and called for a further report on holiday-lines from the IDR.²⁶⁹ This reiterated the conclusions of its original report:

264 PRO, CAB 134/2429; Marples, 'Closure of Passenger Services to Holiday Resorts', R(C)(63)8, 14/10/63.

265 PRO, PREM 11/5167; Tebay - Reid, 4/2/64.

266 PRO, CAB 134/2452; RR(63), first meeting, 2/12/63.

267 PRO, PREM 11/4596, Railways in Wales: PM Met Deputation, 31 July 1963; Philip Waters [Committee Secretary of the Association of Welsh Local Authorities] - Macmillan, 30/5/63; Woodfield - Macmillan, 1/7/63, with Macmillan's additions.

268 PRO, CAB 134/2453; RRT(64), eighth meeting, 1/9/64.

269 PRO, CAB 134/2452; RR(63), first meeting, 2/12/63.

while total holiday travel was increasing, there was a continuing decrease in the proportion of holiday-makers who travelled by rail. Consequently the net loss of visitors resulting from closures was likely, in general, to be small, with a correspondingly small effect on employment in the holiday trade.²⁷⁰

Ministers decided that holiday-lines must be considered individually on their merits, and this sealed the fate of the Porthcawl branch.²⁷¹ The one concession to worried boarding house landladies, hoteliers and deckchair attendants throughout the country was the decision to postpone any such closures until the end of the 1964 season. Marples successfully resisted the suggestion that no proposals be published until the end of the summer (which would have required the board to defer some 30 cases²⁷²), on the grounds that if publication was delayed until the autumn, the period of uncertainty would coincide with the months during which holidays were booked.²⁷³ Instead, Marples announced that any closure proposals published from February would not be implemented until 1 October, even if consent was granted earlier.²⁷⁴

As we have seen, the significance of railways in reducing urban congestion was appreciated within the MoT. However, despite the inclusion of some north-western commuter services in Ministers' lists of sensitive cases, the limits of their appreciation of the role which rail could play in urban areas can be gauged from the decision on three urban closures, considered just before the General Election. It was estimated that taken together, Wolverhampton - Burton, Walsall - Rugeley and Leamington - Nuneaton - Coventry, would save £151,000 annually. However, the West Midlands Regional Study Group had warned that long-term development and the dispersal of Birmingham's population to suburbs served by the first two lines would be hindered if the closures took place, while the third might lead to traffic congestion. Marples was not convinced by the first of these arguments and relied on estimates that peak hour traffic would only increase by between one and three per cent around Coventry to reject the second, although a condition of closure was that the track should not be removed without the Minister's

270 PRO, CAB 134/2453; RRT(64), first meeting, 8/1/64.

271 Ibid.

272 PRO, CAB 134/2453; Marples, 'Closure Proposals Affecting Holiday Resorts', RRT(64)4, 21/1/64.

273 PRO, CAB 134/2453; RRT(64)4, 21/1/64

274 Marples, HoC, Official Report, 12/2/64, written answers, cols 69-70.

permission.²⁷⁵ Leamington - Coventry was reopened in 1977, and the line on to Nuneaton followed a decade later. The Walsall - Rugeley line reopened between Walsall and Hednesford in 1989.²⁷⁶

Earlier, Ministers had reprieved the Woodside - Sanderstead line in south London, which came before the committee because it was in an urban area. Marples recommended that it should be kept open for two years and then reviewed, and his colleagues agreed, extending the delay to three years. However, this was an entirely cosmetic decision. Although the London Tucc had found that closure would cause hardship, Marples felt, and his colleagues agreed, that this Tucc was 'inclined to exaggerate the difficulties liable to result from a closure'.²⁷⁷ Nor did Ministers feel that this was a line which would contribute to the easing of road congestion. However, Marples was uneasy at overruling the London area Tucc twice in two years (having rejected their recommendation in the Westerham case in 1962) and feared that the Government would be accused of contradicting Buchanan's findings if it closed the line. Although his colleagues accepted this view, it was decided that in public the reason given for postponing a decision would be the Tucc's findings on hardship, as to announce that the Government was waiting for the results of the London traffic survey would invite pressure to postpone all urban closures until traffic surveys were complete, and the Government would be accused of postponing decisions on political grounds or because its 'policy on the railways had been thrown into disarray by the Buchanan Report'.²⁷⁸

Gourvish has concluded that while there is truth in the idea that the change of Government in 1964 and the arrival of Barbara Castle as Minister of Transport brought about a change of policy on closures, the reality was more complex.²⁷⁹ The official papers back up this conclusion and, if anything, suggest that policy would have moved in a similar direction had the Conservatives formed a new Government in October 1964.

275 PRO, CAB 134/2453; RRT(64), ninth meeting, 7/9/64.

276 Henshaw, Great Railway Conspiracy, p.240.

277 PRO, CAB 134/2452; RR(63), first meeting, 2/12/63.

278 Ibid.

279 Gourvish, British Railways, pp.440-1 and 446.

Two changes introduced by Marples' Labour replacement, Tom Fraser, were foreshadowed by Marples himself. Fraser:

obtained the Board's undertaking that it would not in future lift the track after a closure was authorised, in case restoration were to be recommended in forthcoming regional transport plans. From April 1965... cases were referred to the newly appointed Regional Economic Planning Boards and Councils for their consideration.²⁸⁰

However, both the IDR Report and the Cabinet committees related the closure programme to regional policy up to a point, and Marples attached the condition that the Board should not remove the track without his permission to several consents, including the Andover - Romsey case (which came before Ministers on the grounds that it was within the area of the south-east study).

Fraser also introduced the "early sift" procedure, under which proposals were considered by the Minister before the Board publicised them, and cases which would inevitably be rejected were not published.²⁸¹ This was similar to the proposals made by Noble and others in 1963 and, as it was aimed at removing proposals which would not be approved anyway, it would not have changed the eventual outcome. The decision in individual cases might have differed depending on which party was in power, but even here there is evidence that the difference would not have been great. Castle was 'particularly keen to preserve rail links with holiday resorts such as Skegness',²⁸² but, given the discussions on this subject in 1963 and 1964, one suspects Skegness and other large resorts may well have kept their railway under the Conservatives. Finally, the rationalisation of trunk routes, proposed in the Board's 1965 report, The Development of the Major Trunk Routes, was 'still-born'.²⁸³ Whether this would have occurred under the Conservatives is a matter for speculation, but it is certainly the case that Douglas-Home was concerned to prevent any main lines closing before the 1964 General Election, was under some pressure over the Salisbury - Exeter line,²⁸⁴ and was worried at the end

280 Ibid., pp.443.

281 Ibid.

282 Ibid, p.447.

283 Ibid., p.426.

284 PRO, PREM 11/5166; Woodfield - Douglas-Home, 5/12/63, covering draft of Douglas-Home - Marples; Sir Richard Glyn MP (Conservative, Dorset North) - Dilhorne, 11/12/63; Douglas-Home - Dilhorne, 19/12/63.

of 1963 by the opposition to the closure programme within the Party.²⁸⁵ The Government, once again, had had its fingers burnt by the railways and, given the fact that officials had acknowledged that the BRB was unlikely to break-even under the 1962 Act,²⁸⁶ it would be rash to assume that the Conservatives would, if re-elected, have resisted legislating for a permanent subsidy any longer than Labour.

It is clear from this account that the Government did not ignore either the social or the economic implications of the closure programme. Equally, however, its judgement on both counts remains open to question. Moreover, Ministers' consideration of closure proposals was clearly influenced by a desire to temper the rigour of economics with the balm of electoral success, as the concern over Scottish closures and the Sanderstead decision illustrate. It was no coincidence that two of the three Cabinet committees, and the sub-committee, were chaired by successive Party Chairmen. It is harder to say exactly what the balance between economic and political considerations was, however. It is certainly not possible to say, for example, that the lines to Wick and Thurso were spared only *because* it was politically impossible to close them, even though it probably would have been. Ministers may have been concerned about the electoral effects of closures in Scotland, but there were social and economic concerns to take into account as well.

Although the logic behind the policy which led to the closure programme was generally sound, the implementation was fraught with problems. The most obvious of these was the fact that the objections of those deprived of their rail services were rather more apparent than the gratitude of those relieved of the financial burden such services imposed. This was unavoidable, but the problem was compounded by the fact that the railways' figures were debateable. Although it is clear that the figures were less than perfect, they would have been disputed, I suggest, even if they had taken every possible cost-benefit factor into account - because to do so would be such a complex task that it would open up even more areas for debate. In retrospect, had the specific proposals been presented in conjunction with freight withdrawals their financial justification would have been harder to dispute (and by the same token there are a number of cases where the

285 PRO, PREM 11/5166; Douglas-Home - Marples, 3/12/63.

286 PRO, CAB 134/2426, IDR Report, 18/7/63, pp.28-9.

continued use of a line for freight calls into question its closure to passengers in the first place²⁸⁷).

The problem of linking the closure programme to regional planning and the general modernisation of Britain, was that the role of rail seemed so limited that these factors generally provided little reason to refuse consent. Equally, because the collection of policies which came under the broad umbrella of "modernisation" sprang up from a variety of problems rather than growing from some common root, the railways, as the industry experiencing more trouble than any other (possibly excepting shipbuilding), were a step ahead of, for example, regional policy. Harold Wilson, as Leader of the Opposition, argued, in response to Reshaping, that 'transport is not a single problem capable of being looked at in isolation. It is part of the wider planning problem - economic planning, social planning, town planning'.²⁸⁸ This was quite true, but if one concentrates solely on this approach one ends up with the view that we should not do anything about something until we know what to do about everything. Given the history of attempts to close unremunerative railways, it is not surprising that the Government were reluctant to adopt such a course, but instead attempted to find a compromise between getting it right and getting it done.

The least satisfactory part of the whole process was the balancing of hardship against deficit. The point at which cost outweighed benefit was inevitably open to question, as only arbitrary values can be attached to safety or amenity. Moreover, without politics, mathematics might have concluded that there was no economic justification for the existence of Wick. However, when government is obliged to draw a line, the way in which the line is drawn is as important as where it is drawn. One must be able to see that the process is reasonable, even if one disagrees with the result. In retrospect, the process appears reasonable, given the pressure of time and the difficulties of the problem. However, it is clear that the public aspect of the consultative procedure was so limited that it was unlikely to satisfy those who felt they had lost out. One solution to this might have been to allow local authorities to raise rates to subsidise services; but, had this been attempted, the question of local versus central funding and the precise costs to be attributed to a service would have presented awkward obstacles. While it is easy to sympathise with the inhabitants of Wells or Melton, the "failure" of officials to do so,

287 For example, Mansfield, Okehampton, and St Ives (Camb.).

288 Wilson, HoC, Official Report, 30/4/63, col.923.

referred to by Hillman and Whalley, can equally be seen not as blindness to their problems but as indicative of a wider perspective.

Roger Calvert criticised much of the thinking on railways in the early 1960s for considering 'the railway in terms of what it is rather than of what it could be'.²⁸⁹ This may be true, but it is an unfair criticism. Calvert tended to discuss the railways as if their problems were technical, but their problems were political, and it was a lot easier for him to see what the railways could be, than for Marples, Beeching, *et al* to see how they could get from what they were to anything better, let alone a perfect system. It is clear that the figures justifying closure were less than perfect and the Minister, his colleagues and MoT officials had therefore to balance hardship against savings, without knowing precisely how much might be saved without closure. Similarly, the alleviation of hardship was less than adequate, but the problem was and remains a political one, a question of allocating limited resources and asking whether a train service for under 200 people which some of them can do without is the best way to spend approximately £26,000 pounds a year.²⁹⁰

Despite Ministers' attempts to influence the closure programme for electoral reasons, and the limitations of their consideration of the economic and social consequences of closures, the Government's handling of the closure programme provided a marked contrast to the way in which the Churchill Government had approached railway policy. While the debate over transport policy in 1952 saw practical considerations overtaken by the Cabinet's determination to fulfil its pledge to road-hauliers, and the intervention over fares the same year was primarily a response to public opinion, in 1963 and 1964 the Government pursued a policy which it knew would be unpopular but which it believed was right, and which attempted to take account of the wider economic and social picture. Much of the credit for this must go to Marples, who clearly withstood pressure from his colleagues in defending Beeching's programme. If we can say, with the benefit of hindsight, that the programme went too far, that failing can perhaps be explained most logically by the language of Physics: the force required to overcome the inertia of the 1950s gave the closure programme a momentum that carried it beyond its ideal target.

289 Roger Calvert, The Future of Britain's Railways, (Woking and London: George Allen and Unwin, 1965), p.11.

290 The loss on the Melton Constable line.

Conclusion

Why did government railway policy arrive at the Beeching Report in 1963?¹ The new policy towards the railways embodied in the 1961 White Paper on the nationalised industries, the Transport Act, 1962, and the Beeching Report, can be summarised as the best attempt the state was able to make at a logical response to a problem which could not be ignored - the huge and increasing losses incurred by the railways. The nature of that response was conditioned by thinking within Whitehall on two wider issues: the likely future demand for transport, discussed in Chapter Four; and the work being done on the relationship between Government and the nationalised industries, discussed in Chapter Five. Both of these developments can themselves be seen as consequences of the Treasury's desire to exert greater control over public expenditure, and over investment in particular. The new policy was also influenced by the lack both of expertise in cost-benefit analysis and of the information necessary to carry out such analysis.²

The new policy needs to be seen, and can only be fairly evaluated, in the light of railway policy during the first half of the Conservatives' thirteen years in office. This thesis does not deal with the 1945-51 period, but, whatever the case for or against nationalisation, there is a strong argument for saying that the chief beneficiaries of the compulsory acquisition of the railways by the state were the former shareholders, who continued to receive their dividends at a time when the railways would have found it hard to earn a profit even if private enterprise had managed them more effectively than the British Transport Commission (BTC) did.

Under Churchill, the Government treated the railways irresponsibly. Committed to the denationalisation of road haulage, by no means a bad thing in itself, Ministers made a mess of the legislation and, in extricating themselves from political embarrassment, left the railways in a position where it was clear that they were likely to lose money. The existence of the consultative procedure, the limiting of the railways' commercial freedom by customers, Government interventions on fares, and the failure to lift the obligation to carry, all implied a public service role which was at odds with the requirement to break even. The chief criticism to emerge from the discussion of these events in Chapter One

1 See Introduction, p.18.

2 See Chapter Four; and Chapter Six, pp.241-3 and 256-7.

is that Ministers acted irresponsibly in rushing the framing of legislation, when greater consideration would surely have led them to conclude that their policy would have consequences which they did not want; and that they failed to base policy on an analysis of future transport demand despite advice and evidence that such a study was desirable.

This position was exacerbated by the vetoing of the 1952 passenger charges scheme, supposedly in the national interest, in reality in response to public displeasure, and the Government's influence on wage negotiations in 1953 and 1954-5,³ all of which made a BTC deficit more likely. If the intervention on fares was more damaging in principle than in its actual effects, the interventions on wages were particularly serious because they involved informal pressure (rather than a statutory direction), and, as a result, the Government was not properly accountable for its actions. In defending its position, the Government presented modernisation as the primary solution to railway losses, while concealing the reservations of Ministers and officials. It is this sleight of hand, and the Government's subsequent failure to ensure everything possible was done to reduce losses, rather than the intervention itself or even approval of the Modernisation Plan's publication, which is the key point to emerge from Chapter Two.

Under Eden, the Government continued to intervene with disastrous results for the BTC, but it could claim that its actions were more than simple responses to short-term crises. The interventions of 1956 were part of an attempt to discourage pay claims by holding down prices. Nevertheless, because these interventions relied on informal pressure, the Government left the Commission in an impossible financial position when the policy failed.⁴ The Macmillan Government's involvement in wage negotiations in 1958 was, to a large extent, a return to short-term reaction. In leaving the employers and the unions to establish the Guillebaud inquiry as a long-term solution, the Government was ducking the issue.⁵ By the time the Government attempted to get to grips directly with the problem of inflationary wage claims, Beeching and the unions were already

3 See Chapter One, pp.41-3; and Chapter Two, pp.64-92.

4 See Chapter Three, pp.95-9.

5 See Chapter Three, pp.126-9.

moving in a different direction,⁶ as the former sought to buy the co-operation of the workforce in line with Macmillan's *quid pro quo*.⁷

Ministers must bear responsibility for setting the railways a difficult task in meeting their requirement to break-even, and it is clear that, at certain times, this requirement was subordinated to other policy objectives by Ministers who must have been aware of the likely consequences.⁸ It was only from early 1956 that the Government, and, in particular, Harold Watkinson, made a significant effort to tackle the railway deficit.⁹ The failure of Watkinson's attempt to do so in 1956 was largely a result of the potential political embarrassment arising from the Government's decision to restrict railway price increases.¹⁰ The limited progress made in speeding up the closure programme, both in 1956 and after 1958, was largely a consequence of the contradictions in the 1953 Act referred to above - specifically the consultative procedure.¹¹

In general terms, it is obvious that the new policy of the early 1960s was a response to the deficits incurred by the railways. These reforms sought to address the failings of the BTC's management of the railways which had become clear during the various investigations described in Chapter Five, and also the perceived shortcomings of its organisational structure under the 1953 Act.¹² However, in light of the 1950s, the restating of the relationship between government and the nationalised industries in 1961 arguably represented an attempt by the Treasury to control Ministers' behaviour as much as that of the nationalised boards.¹³ In making these criticisms of Ministers, however, it must be stressed that the railways' problems, great though they were, had to compete

6 Keith Middlemas, Power, Competition and the State. Volume Two: Threats to the Post-War Settlement 1961-74, (London: Macmillan, 1990), p.48.

7 See Chapter Five, p.206; and Chapter Six, pp.265-6.

8 See Introduction, p.19, question one; and, in particular, Chapter One, pp.42-3; Chapter Two, pp.69-70 and 75-92; and Chapter Three, pp.96-9 and 129.

9 See Introduction, p.19, question two.

10 See Chapter Three, pp.104-26.

11 See Chapter Three, pp.99-103 and 136-40.

12 See, in particular, Chapter Five, pp.219-24.

13 See Introduction, p.19, question three; and, in particular, Chapter Five, pp.192, 196-7, 218-9.

for Ministerial attention against the pressing questions of the day, both at Cabinet and Ministerial level. Ministers of Transport had to deal with issues of immediate concern, such as fears over railway safety in 1956,¹⁴ the transport implications of Suez, not least petrol rationing in the wake of the crisis,¹⁵ or the Comet air disasters, which led Lennox-Boyd to consider resigning in 1953.¹⁶ At Cabinet level, the pressure to concentrate on the short term was obviously even greater.

The attempts to get a picture of overall transport requirements and the reform of the nationalised industries can be taken as examples of modernisation in Whitehall in the late 1950s and early 1960s.¹⁷ In this respect both themes fit broadly with Middlemas' idea of a reform of the postwar settlement. Macmillan's statement of March 1960, for example, attempted to adjust the relationship between the BTC, the unions and the public, while maintaining a consensus.¹⁸ While both themes stemmed from the Treasury's desire to prevent either investment or the BTC deficit getting out of control, they can be seen as elements of a modernisation of the machinery of government, when compared to the unplanned investment and the damaging pressures brought to bear on the railways under Churchill and Eden.¹⁹ The Conservatives' post-1962 "modernisation of Britain" theme, however, was a far more amorphous concept and its relationship to Reshaping was always vague. Beeching's approach to the railways' problems should be seen as a consequence of the Treasury's attempts to get a grip on the economy rather than as part of Macmillan's "modernisation of Britain".²⁰

14 Public Record Office, PREM 11/1661, Safety of Railways.

15 Harold Watkinson, Turning Points - A Record of Our Times, (Salisbury: Michael Russell, 1986), p.63.

16 Philip Murphy, draft chapter on Lennox-Boyd's period as Minister of Transport and Civil Aviation, unpublished manuscript, Imperial Endgame: Alan Lennox-Boyd and British Decolonization, pp.161-3, enclosed in letter from Dr Murphy, 13/7/98.

17 See Introduction, p.19, question four.

18 See Chapter Five, p.188.

19 See pp.284-6 above; and, in particular, Chapter Three, pp.113-9; Chapter Four, pp.142-54; and Chapter Five, pp.191-7.

20 See Chapter Six, pp.267-74.

Beyond its contribution to the explanation of why the Beeching Report emerged, this thesis illustrates the weakness of the machinery of government in the first half of the 1950s, and the limited extent of its improvement by 1964. It also suggests that much of the significant thinking was done by officials. This is not to say that Ministers did not matter, however. In particular, while Watkinson failed to solve the railway problem, his attempts to address it, discussed in Chapter Three, set the ball rolling, while, as Chapter Six shows, Ernest Marples, generally, had the courage of Beeching's convictions. Perhaps most importantly, Macmillan's decision to grab the reins of policy at the vital moment in 1960 ensured that there would be no repeat of the drift which characterised the aftermath of the various crises in railway policy during the 1950s.²¹

The significance of Marples in altering the course of transport policy has been over-estimated by his critics.²² This thesis has detailed the extent to which much of the policy associated with Marples was already under consideration, in train, or implied before his arrival as Minister of Transport.²³ This is particularly true as regards thinking on the likely nature of the future demand for transport. From the rejection of Sir Cyril Birtchnell's proposed survey of transport following the Conservatives' return to office, through to the approval of railway modernisation and the first motorway projects without any overall transport policy, the first half of the Conservatives' long reign was a sorry story. Had the proposed study been carried out in 1951, it might well have achieved little or come up with the wrong answers, but at least the Treasury would not have been starting from scratch six years later.²⁴ Far from being seen as a time when transport policy was fragmented and at its nadir, Marples' period, or more accurately, the period of Clarke, Dunnett, Serpell and Stevenson, should be seen as a step forward in Government transport planning (see Chapter Four in particular). This is not to say that the policies adopted and the conclusions reached were beyond criticism, but at least there was now an attempt to relate, on a logical basis, what was being done, to what was

21 See Chapter Five, pp.205-7.

22 See Introduction, p.19, question five.

23 See Chapter Three, pp.129-41; Chapter Four, pp.146-68; and Chapter Five, pp.191-204.

24 See Chapter One, pp.32-3 and 54-6; and Chapter Four, pp.147-150.

required and what could be afforded. It would be going too far to say that this was a complete contrast to what had gone before, but it was a contrast of considerable degree. Nevertheless, the extent of this progress should not be overstated. Asked what he would change with the benefit of hindsight, Sir David Serpell replied: 'research... trying to look ahead, not much was done at that time, a 1984 consciousness did not exist'.²⁵

The idea of a deliberate anti-rail bias from 1959 can be dismissed.²⁶ This is evident from Whitehall's initial reaction to the Modernisation Plan and the time it took to come round to the view that it was rail investment rather than road which should be restricted,²⁷ from Beeching's overestimation of the railways' future role in transporting freight,²⁸ and from the impossibility of restricting road transport to such an extent that railway closures were unnecessary.²⁹ Any imbalance in the treatment of road and rail in the early 1960s which is apparent in hindsight can be said to reflect the failings of a genuine attempt to provide what appeared to be the best possible balance at the time. The new policy did not deal with the railways in a vacuum.³⁰ In fact, it was precisely the attempt to get a picture of future transport demands which is the subject of Chapter Four that led Whitehall to conclude that the railways' future was limited; and Reshaping's treatment of urban lines reflected the conclusions of this thinking.³¹ Moreover, policy would have been based on a more thorough statistical analysis had it proved possible to carry one out.³²

This thesis supports Lapsley's view that the primacy of financial considerations over cost-benefit techniques in determining railway policy reflects the difficulty in

25 Interview with Sir David Serpell [MoT deputy secretary, 1960-63], 3/4/95.

26 See Introduction, p.19, question six.

27 See Chapter Two, p.78; Chapter Three, p.113; and Chapter Four, pp.146-52 and 158-9.

28 See Chapter Four, pp.177-8.

29 See Chapter Four, pp.160-6.

30 See Introduction, p.19, question seven (a).

31 See Chapter Four, pp.182-4.

32 See, in particular, Chapter Four, pp.172-6.

applying the latter.³³ Had the BTC pushed for the allocation of subsidies to specific services in 1959-60 it might well have succeeded. However, it does not appear to have been interested in doing so, or capable of presenting a strong case for such payments. Despite the absence of permanent subsidies from the Transport Act, 1962, it is clear that Ministers and officials knew that the railways would continue to provide unremunerative services.³⁴ The establishment of financial criteria for the nationalised industries should not be seen as the simple replacement of a social service ethos by a business one. Clearly, a more businesslike approach was the intended outcome, but officials also sought to establish which of the railways' activities were social services and which "social services" were simply a waste of money.³⁵ Such an approach was inherently likely to alienate those whose services were cut. But, given that there must be a limit on the finance available for social services of all kinds, priorities had to be attached to such services, and their provision, at the taxpayer's expense, ought to be subject to political control.

As is implied by the previous paragraph, and as is discussed in Chapter Six, the implementation of the closure programme, although clearly subject to electoral considerations, did not ignore the social and economic consequences of rail closures, or their implications for the road system.³⁶ The closure programme can be criticised on the grounds that it underestimated the role which the passenger railway could play, the number of cities which would benefit from commuter services, and the extent to which certain areas would grow in the future (for example, the area around Bournemouth³⁷). However, this reflected the fact that cost-benefit analysis, transport planning and regional policy were tools which Whitehall had yet to master fully while the full environmental

33 Irving Lapsley, 'The Influence of Financial Measures on UK Railway Policy', Journal of Public Policy, vol.3, part 3, 1983, p.296. See Introduction, p.19, question seven (b).

34 See Chapter Five, pp.224-30.

35 See, in particular, Chapter Five, p.196.

36 See Introduction, p.19, question eight.

37 Robert Adley, Out of Steam: The Beeching Years in Hindsight, (Wellingborough: Patrick Stevens, 1990), pp.77-84. However, it was not only the closing of the lines in question, but the subsequent unplanned expansion of urban areas, and the obliteration of former rail routes in the process, which created the problems of these areas.

consequences of road transport were simply not apparent at the time (see Chapters Four and Six).

The failings of the figures supporting specific closure proposals are another ground for criticism.³⁸ But in this case the Government was to an extent let down by the railways' inability to co-ordinate freight and passenger proposals,³⁹ and faced the problem that the more thorough an investigation into the merits of a particular closure was, the longer it would take.⁴⁰ The high-profile nature of cases such as the "Bluebell" line may have led Ministers, officials and Dr Beeching to overestimate the importance of a branch line closure programme, and an attack on costs *per se* might have saved some of the lines closed during the 1960s. However, there could be no easy solution to the problem of productivity in the railway industry in the 1950s, and even if a different approach had resulted in fewer closure proposals, a confrontation with the public over the closing of many other lines would still have been required. This thesis does not seek to set out comprehensive remedies for the railways' problems, and I have not attempted to address the question of productivity in detail, as it has been discussed in Gourvish's business history.⁴¹ In any event, given the history of attempts to close branch lines and of Whitehall's efforts to get the BTC to take a more draconian approach, it is hardly surprising that the danger of not closing enough appeared greater in 1963 than the danger of approving closures which might be regretted thirty years later.⁴²

The shortcomings of the policies implemented by Beeching reflect the conflict between the desire to find the right solution to a problem, and the desire to find a solution quickly. Much of the criticism and suspicion of the Beeching era reflects an approach to the history of transport policy which starts with an ideal outcome and then asks "whose fault is it that this has not been achieved?", as if it were certain that problems can always be "solved". But in reality those responsible for policy, like Marvell's lover, 'alwaies...

38 See Introduction, p.19, question nine.

39 See Chapter Six, pp.257-8.

40 See, in particular, Chapter Six, p.254.

41 Terence Gourvish, British Railways 1948-73: A Business History, (Cambridge: Cambridge University Press, 1986), pp.214-7, 248-55, and 529-65.

42 See p.286 above; and Chapters Three and Six.

hear/Time's winged Chariot drawing near'⁴³ and rarely have the luxury of access to every fact or possibility. In this case, had Ministers and officials waited until they knew exactly what to do about the transport problem, it might still be possible to make the lonely journey from Halwill Junction to Torrington.

43 Andrew Marvell, 'To His Coy Mistress', in Helen Gardner (Ed.), The Metaphysical Poets, (London: Penguin, 1957 (1972 edition), pp.250-2.

Appendix One

RAILWAY FINANCIAL RESULTS AND INVESTMENT 1948-64

YEAR	RAILWAY OPERATING ACCOUNT (£m)	RAILWAY RESULTS AFTER CENTRAL CHARGES (£m)	BTC/BRB RESULTS AFTER CENTRAL CHARGES (£m)	GROSS RAILWAY INVESTMENT (CURRENT PRICES, £m)
1948	23.8	-10.5	-4.7	40.3
1949	10.6	-26.0	-20.8	44.1
1950	25.2	-12.3	-14.1	43.4
1951	33.3	0.0	0.1	42.3
1952	38.7	3.9	8.0	40.0
1953	34.6	-2.7	4.2	55.9
1954	16.4	-21.6	-11.9	65.3
1955	1.8	-38.2	-30.6	71.3
1956	-16.5	-57.7	-54.7	89.0
1957	-27.1	-68.1	-70.1	125.9
1958	-48.1	-90.1	-104.8	141.0
1959	-42.0	-84.0	-99.5	167.8
1960	-67.7	-112.7	-133.4	163.3
1961	-86.9	-135.9	-160.2	146.2
1962	-104.0	-159.0	-182.6	115.3
1963	-81.6	*	-133.9	90.6
1964	-67.5	*	-120.9	100.7

A note on sources:

Financial results: Gourvish British Railways, Table 8, p.93; Table 17, p.175 (Source: BTC, Report and Accounts, 1948-62). Table 47, p.397 (Source: BRB, Report and Accounts, 1963-64). Philip Bagwell, The Transport Revolution, (London: Routledge, 1988) [First published as The Transport Revolution from 1770, London: Batsford, 1974], Table 11, p.296 (Source: BTC, Annual Report and Accounts, 1948-62). The "railway" figures include various ancillary services such as road collection and delivery and property rental.

Investment: Gourvish, British Railways, Appendix B, Table One, p.595 (Source: BTC/BRB Report and Accounts 1948-62, BRB archive, and PRO, CAB 134/4402 and 938, Investment Programme Committee Minutes).

* These figures are not available from the above sources. In each of the two years in question, railway operating deficits were offset by some £5 million revenue from the BRB's non-railway activities (Gourvish British Railways, Table 47, p.397 [Source: BRB, Report and Accounts, 1963-64]).

Appendix Two: Acronyms

ABCC:	Association of British Chambers of Commerce
AMC/WP:	Ashridge Management College, Lord Watkinson's Papers
ASLEF:	The Associated Society of Locomotive Engineers and Firemen
BL/MAC:	Bodleian Library, Macmillan Diaries
BoT:	Board of Trade
BOAC:	British Overseas Airways Corporation
BTC:	British Transport Commission
BRB:	British Railways Board
CSO:	Central Statistical Office
CTCC:	Central Transport Consultative Committee
DSIR:	Department of Scientific and Industrial Research
EPC:	Economic Policy Committee of the Cabinet
HoC:	House of Commons
HOPS:	Treasury Home and Overseas Planning Staff
IDR:	Interdepartmental Working Party on Railways
LTST:	Statistical Working Party on Long-term Survey of Transport
MGM:	Ministerial Group on Modernisation [of the railways]
MHLG:	Ministry of Housing and Local Government
MoT:	Ministry of Transport
MTCA:	Ministry of Transport and Civil Aviation
NCB:	National Coal Board
NUR:	National Union of Railwaymen
PEC:	Cabinet Committee on Population and Employment
RE:	BTC Railway Executive

RHA:	Road Haulage Association
RHE:	BTC Road Haulage Executive
RIW:	Railways and Inland Waterways Division of the MTCA/MoT
RRL:	Road Research Laboratory
RSNT:	Railway Staff National Tribunal
SAG:	Special (Stedeford) Advisory Group (on the BTC)
SMMT:	The Society of Motor Manufacturers and Traders
TUCC:	Transport Users' Consultative Committee
TSSA:	Transport Salaried Staffs' Association

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Harold Watkinson, Private Papers, Ashridge Management College, Berkhamsted.

Public Record Office, Kew.

File Classes at the Public Record Office:

The titles of individual files are given the first time each file is cited in a chapter, with the exception of individual volumes from CAB 128 (Cabinet conclusions) and CAB 129 (Cabinet papers).

Prime Minister's Office:

PREM 5: Appointments

PREM 11: Prime Minister's Office Subject Files

Cabinet Office:

CAB 21: Cabinet committees, Cabinet Office formation and Correspondence

CAB 128: Cabinet conclusions

CAB 129: Cabinet papers

CAB 130: *Ad hoc* Cabinet committees

CAB 134: Cabinet committees

Ministry of Transport:

MT 45: Establishment and Organisation Division.

MT 47: Finance Division.

MT 56: Rates and Charges Division.

MT 62: Private Office Papers.

MT 65: Statistics Division.

MT 74: Transport Act 1947.

MT 96: General Division.

MT 97: Road Transport Division.

MT 100: Highways 'N' Division.

MT 115: Railways and Inland Waterways Division.

MT 124: Railways A, B and C Divisions.

MT 132: Finance, Transport and Shipping Division.

Treasury:

- T 224: Agriculture, Trade and Transport Division.
- T 228: Trade and Industry Division.
- T 229: Central Economic Planning Staff.
- T 230: Economic Section.
- T 234: Home and Overseas Planning Staff and Successors.
- T 278: Papers of Various Senior Officials.
- T 298: National Resources Division.

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T 267/7, Treasury Historical Memorandum Five; A. Ogilvy-Webb [Treasury principal], 'Government and Wages 1945-60', with foreword by Richard Clarke [Treasury third secretary], 1962.

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- 4 Lord Whitelaw (Member of Parliament for Penrith and the Border Division of Cumberland in 1963, and Parliamentary Secretary, Ministry of Labour, 1962-64), 23/3/95.
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